A MODEL PENSION PLAN ORDINANCE FOR FLORIDA MUNICIPALITIES

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PREFACE

The purpose of this dissertation is to present a model pension plan ordinance for Florida municipalities and to explain the purpose of the various provisions of the suggested ordinance.

At this writing, many Florida retirement plans are in financial difficulties because of too liberal pension benefits and inadequate financing. On April 21, 1965, this writer received a letter from Ralph Turlington, Chairman of the Pensions and Retirements Committee of the Florida House of Representatives. Mr. Turlington wrote, "I am satisfied that municipalities throughout the state are in serious difficulties with their plans."

A real need exists in Florida for a model guide for public employee retirement system administrators. This need becomes increasingly important with the growth of retirement programs in the State as the benefits and financial security of these pension plans are of concern to increasing numbers of Florida municipal employees. On January 29, 1966, the State Chamber of Commerce reported the combined financial assets of retirement programs for state and local government employees in Florida. By mid-1965 total assets held by these programs reached $549 million--an increase of 93 percent over 1960. Payments and earnings for the various retirement accounts

during the fiscal year 1964-65 totalled $107 million, while benefits and withdrawals to public employees during the year amounted to $37 million.

Many of the problems faced by municipalities require tailor-made solutions, but there are many facets of municipal pension plans which are subject to model guidelines. While the Model Ordinance illustrates a complete pension ordinance, it is not intended as an absolute guide for pension planning. The model should be carefully appraised, because many decisions enter into the design of a pension program and every pension plan must be constructed in the light of its own particular situation. Hence, the explanations of the individual provisions of the Model Ordinance will help to meet the specific needs of a municipality and its employees.

One purpose of this dissertation is to present a pension plan that could be adopted by a city. It is also the hope of this writer to enlighten all public officials who are responsible for the formulation of the provisions of a new plan or the revision of an existing plan. With these readers in mind, the dissertation has avoided the highly technical actuarial aspects of pensions in favor of the elementary approach. The general approach is to analyze--not to advocate; therefore, attention is focused on the factors which should be considered, not on absolute answers.

It is anticipated that this dissertation will merit the support of responsible officials and bring about a better understanding of sound pension planning by providing all public

officials with a model guide to accomplish the desired results without placing undue burdens upon the financial resources of taxpayers.

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We had better look to these problems and provide for the aged as promptly, rationally, and as compassionately as we can. Today, "they" are the aged; tomorrow, we shall be they.[1]

CHAPTER I

SOCIAL AND INSTITUTIONAL FORCES THAT INFLUENCE PENSION PLANS

> The forces that move economic man are various and often difficult to predict, but no motive in man's history has been more constant or more obvious than his quest for security. Pension trusts are but the most recent attack human society has made upon its age-old problem.[2]

Introduction

Much evidence exists to support the need for and advantages of a pension program for municipalities. Of the various methods of dealing with the problems of aged employees, the pension plan is the best. This chapter will first of all discuss the various alternatives for dealing with the aged, and second, discuss the various economic advantages of a pension plan. Last, the chapter will discuss the provisions of the various institutional regulations, Florida Statutes 175 and 185, OASDI (Social Security) and the Federal Income Tax Policy, which influence the establishment of a comprehensive pension plan for municipalities in Florida. Since this dissertation is directed toward Florida municipalities exclusively, except where otherwise stated, the term emoloyer will be used synonymously with municipalities or a municipal employer.

Social Forces

Any employer (municipal or private) must face the problem of aged employees at some time. When this time arrives, the employer can elect only one of the following alternatives regarding these employees:

1. He can discharge the employees--with or without a gold watch and a farewell dinner.

2. He can keep them employed by leaving them on the payroll.

3. He can supply them with a retirement income.

We may assume that acceptance of the first alternative, discharge, would result in a group of needy aged whose existence would be a denial of the philosophy that the elderly should live with dignity and in a decent manner. Few would deny that for those who have worked all their adult lives, an ample standard of living should be not a gift of charity, but a right. Of course, employers desire to do "the right thing" for their employees, and for humanitarian reasons discharging an employee is not acceptable.

Another more practical reason for eliminating the first alternative is the unique nature of a municipality. The community is not a thing apart from its individual groups--it is a summation of all the members. The municipality consists not only of its aged employees, but also of their sons, daughters, nieces, nephews, grandchildren and friends who have a meaningful stake in the financial well-being of the elderly and the power through their votes to influence public officials

may be strong enough to eliminate the first alternative. The indigent aged will live either through welfare receipts or support from their children. It is difficult enough to bring up a family properly today without also supporting one's parents. How long would these children vote for the local elective officials while their income was overly stretched in an attempt to support two families--one of whom gave many years working for the municipality?

An abundance of economic reasons for eliminating this first choice also exists. Any fancied savings by stinting on funds to finance an adequate pension system will be spent for public assistance programs--financed by tax revenues. The deficiencies of the needy aged will have to be met one way or the other, and because of the mild Florida weather, these former employees are very likely to remain in the same community where they have spent their working lives. No, these men cannot be discharged and forgotten! Likely they will reappear on the welfare roles, receiving the money that was "saved" by not initiating a pension program.

The second alternative--to keep them employed by leaving them on the payroll--can be very expensive. To retain employees beyond the time when their efficiency has begun to decline would constitute a drag on the smooth operation of the entire municipal organization. An employee whose effectiveness has definitely deteriorated constitutes, at best, a part-time worker at full-time pay. While some employees may retain their abilities and effectiveness through the years

and others may continue to be effective in administrative positions, these are a minority, and special provisions can be made for them. The overwhelming majority of employees--most of whom could not have filled administrative posts in their younger years cannot be expected to do so later. An employee retained in a supervisory position when he ceases to pull his share of the load will harm efficient operations and stultify the incentive of younger employees to do their best work.

Again, there is nothing saved with this method, as retirement costs are merely hidden in the current payroll.

There is little doubt that the third alternative of supplying aged employees with a retirement income is the only economic and efficient way to take care of the superannuated worker.

A pension plan is a necessity for most employees. High tax rates and living costs eat up most of their earnings. Only through a retirement pension can he be assured that after a lifetime of productive work he will not be forced into a retirement period of poverty. Since most people have been unable to save the funds necessary for the retirement needs of themselves and their dependents, it is the pension plan that will insure funds for retirement. Because our economy would benefit from ample purchasing power in the hands and pockets of the elderly, it would be profitable to the community to insure that this is made possible. The advantages which can accrue to an employer with a well-planned retirement

program run a lengthy gamut. It would be naive to think that municipalities install a pension program for humanitarian reasons alone.

As previously stated, a planned retirement program permits employees, who are disabled or aged to leave employment at no further cost to the municipality. Little doubt exists among experts in this area that a planned retirement program is the most efficient way to take care of superannuated employees. Undoubtedly, a pension enables employers to replace elderly employees with greater ease, as there is much less resentment from employees and from the public. "Employers today often look upon pensions as an orderly means of financing the removal of the inefficient and permitting their replacement by those with greater capabilities."[3] The employer's reputation in the community will be enhanced by having definite provisions for the retirement of aged employees with long periods of service. Discussion with municipal pension officials have convinced this writer that most employers sincerely desire that their employees have adequate retirement incomes. Many employees, who realize that their job performance is inadequate, would be favorably inclined to retire if they were assured of an adequate income after retirement. This is the basic purpose of pension plans--to provide income to employees who have worked for a stated period and who retire either from choice or necessity. As the older workers are retired, they are systematically replaced by more vigorous and more efficient workers. Thus, by keeping avenues of advancement open, the efficiency and morale of all employees

are improved. Younger employees would perform their best work knowing that all avenues of advancement were continually kept open. The case of Benjamin F. Fairless illustrates this principle. When Benjamin F. Fairless reached the age of 65 and announced his retirement as chairman of the board of the United States Steel Corporation, he clearly stated the function of a pension plan in clearing promotional avenues for younger men. Mr. Fairless said:

> . . .I am firmly convinced that there must always be room at the top of our management team for young men with young ideas and a fresh, new outlook upon the problems that our company must face if it is to keep pace with its growing responsibilities toward a young and growing nation.
>
> Unless this chance for advancement is constantly kept alive, at every level of management, it would only be a matter of time until the most able of our younger executives would seek opportunities elsewhere.
>
> Thus our entire organization would soon become stagnant--set in its ways, and dangerously unprogressive in its views. And that, of course must never never happen at U.S. Steel.[4]

This prospect of advancement would also encourage talented and ambitious personnel to seek their opportunities within the municipality. Undoubtedly, a pension plan not only will hold employees, but also will help to attract others. An adequate pension plan has still another distinct advantage. Through the pension plan, a municipality induces long periods of service. This gives the municipality a hold on progressively more experienced, hence, more valuable employees. The reduction of employee turnover is important in minimizing expected costs.

A study by the United States Department of Labor clearly showed that private companies with pension plans had a more stable work force than those without pension plans. The annual separation rate per 100 employees was only 34 for companies with pension plans, compared to 62 for companies without pension plans.[5] While these figures are based on data from private firms and are eleven years old, this writer's unsubstantiated opinion is that they are proportionately typical for present day municipal employers. As of this writing, no comprehensive studies have been made in this area of municipal pension plans in Florida; however, the State of Florida is planning studies within these areas, and probably around 1969 will have sufficient data for pertinent conclusions. Today most pension experts recognize that management derives definite advantages from a pension program. Among the many benefits a municipality derives from a pension program is the advantage that it will help attract and hold competent employees. The development and retention of an experienced work-force must of itself decrease municipal costs while promoting loyalty to the community and its administrators.

The municipality, and particularly the smaller governmental units, cannot absorb the inefficiency resulting from a rapid turnover of personnel. As the economy has moved upward toward a situation in which skilled labor is at a premium and efficiency is in great demand, employers feel that they must provide inducements to keep their trained employees on the job. The pension plan with its promise of reward for

long service is an excellent device to insure the continued services of valued employees.[6] In the competitive labor market, the more an employer can offer prospective employees, the more successful he will be in hiring proper help. A pension plan will help the municipality to compete in the labor market with other governmental units and with private corporations. As one expert stated: "Probably one of the most important arguments advanced for a planned pension program is that it keeps the organization virile and able to meet active competition."[7]

While economic reasons are most often the reason for establishing pension plans, some municipalities may be fulfilling a genuine desire to contribute to the welfare and retirement security of their employees. Therefore, philanthropy may be another motivation for many pension plans. However, philanthropic motivation is difficult to evaluate. Likewise, systematic retirement, lower turnover and the resulting improvement of employee morale are difficult to evaluate precisely. There are just too many secondary and tertiary benefits to arrive at any reliable financial answers. But when we add these benefits to the political stability accruing from the improved community good will, it seems almost absurd for any Florida municipality not to have a proper retirement program for its employees.

Institutional Forces

Many laws influence the establishment of a municipal pension plan in Florida. Of these, probably the ones that

would influence the most are Chapters 175 and 185 of the Florida Statutes which concern pension plans for firemen and policemen. The federal plan for "Old Age, Survivor's, and Disability Insurance" commonly known as "Social Security" would also influence the pension plan. Last, the Federal Tax Policy strongly encourages the pension plan.

Florida Statutes

The members of the Legislature of the State of Florida showed an interest in pension plans for firemen with the passage of Chapter 175 of the Florida Statutes in 1939. Legislation for a police officers' pension plan was passed in 1953 with the enactment of Chapter 185 of the Florida Statutes. There are no statutory pension plans for city employees who are not firemen or police officers. These statutes have had a substantial impetus in the implication of retirement plans for policemen and firemen. Some city charters enable the individual municipality to establish a pension program for its employees without approval of the Florida Legislature. A municipality without such charter authority must have its local legislative delegation put through a special legislative act to establish the pension plan. In brief, if there is no charter authority, a city may have the Florida Legislature pass an Act establishing a pension plan in that city.

The Statutes are set up in the following manner. Chapter 175 provides that municipal pension plans for firemen may receive one-half of the premium tax revenues on certain fire and windstorm insurance risks within the municipality's

geographic area. Chapter 185 provides one-half of the premium tax revenues for police officers; this tax source, however, derives only from automobile, fidelity bonding, burglary, and plate glass insurance. Chapters 175 and 185 do not require any municipality to institute a pension plan. These Statutes merely provide that if the municipality desires to have a retirement program, and if this program meets certain minimum requirements, the State will then turn over the stated tax receipts to the individual pension funds. Those cities that follow the exact provisions of the statutes are called "175 Cities" or "185 Cities." The individually enacted pension plans are frequently called "local law" plans. Both local law plans provide varying benefits to their covered employees. "In general, local law plans provide benefits that are somewhat more liberal than those written into Chapters 175 and 185, though this need not be the case."[8] Under provision of these statutes, the Municipal Firemen's Pension Trust Fund was established in 1939 and amended at various intervals by the State Legislature. The most recent amendment was enacted in 1963. Of the 101 participating cities in 1964, forty-seven follow Chapter 175 and fifty-four operate their own plans. Generally, the larger cities have local law plans and the smaller cities follow Chapter 175.[9] Likewise, the Municipal Police Officers' Retirement Trust Fund was established in 1953 and amended in 1959. In 1964, of the ninety-one participating cities, forty-five follow Chapter 185 and forty-six operate their own plans. Generally, the

larger cities have their own plan and the smaller cities follow Chapter 185.[10]

Any incorporated city or town that owns and uses approved and serviceable fire fighting equipment and apparatus valued at more than $10,000 may have a Municipal Firemen's Pension Trust Fund while an incorporated city or town may have a Police Officers' Retirement Trust Fund if it owns $500 of serviceable police equipment. Once a municipality establishes a Firemen's Pension Trust Fund, participation in the plan is mandatory for all firemen (full-time and volunteer), however, only full-time members of the police department are covered under a Municipal Police Officers' Retirement Trust Fund and it is not compulsory that all police officers be members of the Fund as they may elect out of the Fund by a non-reversible written request anytime during their first year of service.

As a result of these policies, the following regulations determine benefits. A fireman or police officer is eligible to receive the normal retirement benefits as outlined in the Statutes when he has reached the age of sixty and has contributed to the Fund for ten years. These employees contribute 5 percent of their salary to the Fund. If Social Security coverage is provided, the contribution may be reduced to 3 percent of the employee's annual compensation for which he receives reduced benefits. For those who contributed 5 percent of their salary, the benefit formula is 1.67 percent of the average cash salary of the ten best contributing years of the last fifteen years prior to retirement. For those who

only contributed 3 percent of their salary, the benefit formula is reduced to 1 percent. This percentage is multiplied by the total number of years of service to arrive at the employee's retirement pension. The pension is payable for the retiree's life with a minimum guarantee of ten years should he die prior to receiving 120 monthly checks. Optional forms of retirement income at an equivalent actuarial value are available if the police officer or fireman is in good health, or has preselected an optional form of income at least three year's before retirement. There are varied benefit provisions to cover early retirement at age fifty after ten years of contributing service, and to cover disability retirement. Police officers are not required to make contributions beyond the normal retirement date and benefits do not increase for service performed beyond this age.

The responsibility for the proper administration of the Statutory Fund is vested in the local municipal Board of Trustees. This board collects all receipts, invests the Fund's assets, and makes all payments for legitimate claims. The State of Florida conducts quinquennial actuarial valuations for all "175, 185 Cities" and distributes premium tax monies due these participating cities.

Local Law Cities

Municipalities with plans operating under their own statutes administer their Funds in accordance with the provisions of the local ordinance establishing the plans. In order

to receive their share of premium tax money, they must have the following minimum standards under Section 175.351 of Chapter 175, and Section 185.35 of Chapter 185:

A) Normal retirement age, if any, must be no more than age 65.

B) Period of eligible service must not be more than 35 years.

C) The monthly benefit formula must be equal or greater than one-twelfth of 1 percent of the fireman's or police officer's total earnings during his entire period of credited service.

D) The monthly pension payment may have a maximum limitation, but this cannot be lower than $100.

E) Actuarial valuations must be conducted at least quinquennially. These are submitted and reviewed by the State Treasurer's Office.

The only requirement for a municipality to begin sharing the premium tax money with the State of Florida is the passage of a local ordinance to establish the retirement fund which will abide by State law. Usually, the same ordinance levies the appropriate premium tax. Once a Fund is established, notice should immediately be sent to the State Treasurer. Only when this notification is received by the State can the municipality participate in the distribution of its share of premium taxes.

Even though local law cities establish their pension plans in conformity with the minimum State requirements each

individual ordinance may be different than the ordinance of other municipalities. The many divergent types of plans in operation in Florida produce no uniformity, because there is no standardization of basic pension benefits. The variety and complexity of these plans require special actuarial reports for each local law city.

Of the many problems found in these divergent types of plans, one of the most serious is proper funding. For pension plans covering firemen, the State of Florida has set July 1, 1968, as the final date when all municipalities must prove minimum funding as required by the statutes. If these plans are not properly funded, they will stop receiving their share of the premium tax money. Police Officers' Funds had to comply by July 1, 1964.

The State of Florida uses compulsory disclosure, inspection, and inquiry to police the operation of municipal pension plans. However, the Statutes do not guarantee the effectiveness of these plans. The State has only the power to cease sharing the premium tax receipts when the plans do not maintain minimum standards. Since there is no legal requirement to force municipalities to pay their contributions promptly, the power of the State in this respect is weak. These plans involve large sums of money and entail long-term municipal obligations. The technicalities and complexities of pension plans should be regularly studied by qualified actuaries and other specialists. Only through sound funding can employees

be insured of the proper growth of reserves to a sufficient amount that will adequately finance their pension benefits.

The pension movement is relatively young in this country, but the State of Florida is one of several states which have taken the lead in enacting legislation to provide a measure of supervisory control and information about municipal plans and their financial operations. Perhaps the greatest formative influence on municipal pension trusts has come from the effect of Chapters 175 and 185 of the Florida Statutes.

Old Age, Survivor's, and Disability Insurance

While the State of Florida has aided the growth of municipal pension plans, "the chief impetus to pension fund growth, however, was the establishment of Old Age and Survivor's Insurance in the middle thirties. . . ."[11] The old age insurance program which comprises only Title II of the Social Security Act has become so popular that today it is commonly referred to as "Social Security." This is a social insurance program. There is no means test--benefits are received in proportion to payroll taxes paid equally by the employer and employee.

Municipal employees in Florida may be covered by Social Security under voluntary agreements between their employer and the Federal Government. The State Legislature has passed laws enabling Florida municipalities to participate in OASDI. Details on how to arrange Social Security coverage may be obtained from the Florida League of Municipalities in Jacksonville.

Retirement benefits.-Under provisions of the program, a fully insured worker and his wife will receive monthly benefits upon becoming 65 or over. Actuarially reduced benefits can be received from age 62 to 64 if desired. A man (or woman) can still work while receiving benefits. There is no limitation on earnings after age 72. Generally, those younger than 72 may earn up to $1680 in a year and still receive their full benefits. A municipal retirement pension is considered income, and there is no limitation on the amount of income received while collecting Social Security benefits.

The amount of the Social Security pension is figured from average earnings under covered employment. The maximum amount of Social Security earnings that can now be counted for Social Security is $7,800. The monthly retirement benefit at 65 will be somewhere between $55 (the minimum) and $218 (the maximum). A retiree's wife receives one-half the amount of her husband's primary benefit.

Other benefits.-Disability benefits begin after a six-month waiting period. The amount of the disability payment is the same as the amount of benefits that would be received at age 65 (62 if a woman). Just as with regular retirement benefits, additional payments are made to certain dependents of the disabled worker. An employee is genuinely concerned for the welfare of his wife and children should he become disabled. This, of course, can be adequately provided through private insurance companies, but any meaningful disability protection is quite expensive and Workmen's Compensation is

hardly adequate for occupational disabilities. According to Merton C. Bernstein, ". . .over half the disabling injuries that occur every year are not covered by Workmen's Compensation."[12] This is a national average, and it may be that the average would be much higher for Florida municipal employees--since many of them are policemen and firemen who are subject to energetic and fatiguing work for many hours during each working day.

After the death of a worker, a lump sum death payment is paid. This is three times his monthly retirement benefit with a maximum of $255. Any dependent unmarried child under age 18 will receive a monthly income of three-fourths of the worker's normal retirement benefit. A widow under 62 also will receive a similar benefit while caring for these children. A widow over age 62 with no dependent children will receive 87½ percent of her husband's normal retirement benefit. There is a maximum family payment of $434.40. Usually, benefits for a widow and two eligible children will reach this maximum. Additionally, benefits are available to unmarried children over 18 who were permanently disabled before becoming 18. Dependent parents who are at least 62 are also entitled to survivor's benefits.

Contributions.-In order to receive benefits, it is mandatory for every worker in covered employment to pay a tax based on his earnings. This contribution is paid regardless of his age and even when receiving Social Security benefits. Payments, as shown in Table 1, are deducted from the employee's salary.

TABLE 1

CONTRIBUTION RATE SCHEDULE
(Percent of Covered Earnings)

Years	Employees and Employers (Each): For Retirement, Survivors, and Disability Insurance	For Hospital Insurance	TOTAL
1963-65	3.625	None	3.625
1966	3.850	.35	4.200
1967-68	3.900	.50	4.400
1969-72	4.400	.50	4.900
1973-75	4.850	.55	5.400
1976-79	4.850	.60	5.450
1980-86	4.850	.70	5.550
1987 and after	4.850	.80	5.650

Source: Social Security, U.S. Department of Health, Education and Welfare, Social Security Administration, November, 1966, p. 34.

The Social Security System provides a form of savings with free transferability of pension eligibility from job to job--something not found in most private or municipal pension plans. Except for a worker's early death with no survivors, contributions are never lost.

Because of current financial problems or misunderstanding, some municipal employees do not want to participate in Social Security. With no Social Security, Chapters 175 and 185 of the Florida Statutes require an employee to contribute 5 percent of his salary to the pension fund. A policeman with a gross salary of $6,000 will pay an annual contribution of $300. But when Social Security coverage is added, the annual contribution may be reduced to 3 percent plus 4.4 percent of the employee's 1968 salary--a total annual contribution of

$444--a much higher contribution. On the other hand, some employees do not want Social Security because they do not relate their additional contributions to increased benefits. Also, in many cases firemen prefer not to participate in Social Security as firemen because they "moonlight" and are thus covered by Social Security as self-employed persons. They feel that if they were covered by Social Security as firemen then their firemen's pensions would be reduced. By keeping Social Security out of the city program, firemen (and to a lesser extent policemen) expect to have a more liberal pension and at the same time receive the benefits of Social Security with full retirement pension benefits under the statutes is illustrated in Table 2. For example, if an employee retires with average yearly earnings of $6,000 and no Social Security coverage, his pension after thirty years will be 1.67 percent per year or $250. Table 3 illustrates the combination of Social Security benefits with pension benefits of the model pension plan (Chapter 2). This same employee with Social Security coverage will receive a pension of 1 percent per year of his average monthly earnings or $150, plus $182 from Social Security--a total retirement pension of $332. This is why it may be reasonable for municipal employees who are under Social Security to receive 1 percent of earnings per year of service as a pension, while those employees who do not participate in Social Security to receive 1.67 percent of earnings per year of service.

TABLE 2

ILLUSTRATIVE RETIREMENT BENEFITS

Chapters 175 and 185, Florida Statutes
Firemen's Relief and Pension Fund and Police Officers' Retirement Fund

	1.67% Retirement Pension	Social Security*	Retirement Income Employee	Retirement Income With Wife*	Retirement Income as % of Earnings Employee	Retirement Income as % of Earnings With Wife*
MONTHLY EARNINGS $300**						
15 years service	$ 75	$132	$207	$273	69%	91%
20 years service	100	132	232	298	77	99
25 years service	125	132	257	323	86	108
30 years service	150	132	282	348	94	116
35 years service	175	132	307	373	102	126
MONTHLY EARNINGS $400**						
15 years service	$100	$154	$254	$331	63%	83%
20 years service	133	154	287	364	72	91
25 years service	167	154	321	398	80	99
30 years service	200	154	354	431	89	108
35 years service	233	154	387	464	97	116
MONTHLY EARNINGS $500**						
15 years service	$125	$182	$307	$398	61%	80%
20 years service	167	182	349	440	70	88
25 years service	208	182	390	481	78	96
30 years service	250	182	432	523	86	105
35 years service	292	182	474	565	95	113

*Social Security benefits for retired employees begin at age 65. The amount received is increased by 50 percent when a dependent spouse of a retired employee reaches age 65. A dependent wife and a retired worker may elect to receive a reduced Social Security benefit starting at age 62.

**Average earnings during last ten years before retirement from municipal employment.

**Generally, in figuring Social Security average yearly earnings after 1950, five years of low earnings or no earnings can be excluded. The maximum earnings creditable for Social Security are $3,600 for 1951-54; $4,200 for 1955-58; $4,800 for 1959-65; $6,600 for 1966-67; and $7,800 starting in 1968. Because of this, the benefits for average yearly earnings over $4,800 will not generally be payable for some years to come.

TABLE 3

ILLUSTRATIVE RETIREMENT BENEFITS

Model Pension Plan - Policemen and Firemen

	Policemen and Firemen 1.0% Retirement Pension	Social Security*	Policemen and Firemen Retirement Income Employee	Policemen and Firemen Retirement Income With Wife*	Policemen and Firemen Retirement Income as % of Earnings Employee	Policemen and Firemen Retirement Income as % of Earnings With Wife*
MONTHLY EARNINGS $300**						
15 years service	$ 45	$132	$177	$243	59%	81%
20 years service	60	132	192	258	64	86
25 years service	75	132	207	273	69	91
30 years service	90	132	222	288	74	96
35 years service	105	132	237	303	79	101
MONTHLY EARNINGS $400**						
15 years service	$ 60	$154	$214	$291	54%	73%
20 years service	80	154	234	311	59	78
25 years service	100	154	254	331	64	83
30 years service	120	154	274	351	69	88
35 years service	140	154	294	371	74	93
MONTHLY EARNINGS $500**						
15 years service	$ 75	$182	$259	$348	51%	70%
20 years service	100	182	282	373	56	75
25 years service	125	182	307	398	61	80
30 years service	150	182	332	423	66	85
35 years service	175	182	357	448	71	90

*Social Security benefits for retired employees begin at age 65. The amount received is increased by 50 percent when a dependent spouse of a retired employee reaches age 65. A dependent wife and a retired worker may elect to receive a reduced Social Security benefit starting at age 62.

**Average earnings during last ten years before retirement from municipal employment.

**Generally, in figuring Social Security average yearly earnings after 1950, five years of low earnings or no earnings can be excluded. The maximum earnings creditable for Social Security are $3,600 for 1951-54; $4,200 for 1955-58; $4,800 for 1959-65; $6,600 for 1966-67; and $7,800 starting in 1968. Because of this, the benefits for average yearly earnings over $4,800 will not generally be payable for some years to come.

TABLE 3A (Cont'd.)

ILLUSTRATIVE RETIREMENT BENEFITS

Model Pension Plan - General Employees

	General Employee $2.00 per year	General Employee Retirement Income		General Employee Retirement Income as % of Earnings	
		Employee	With Wife*	Employee	With Wife*
MONTHLY EARNINGS $300**					
15 years service	$30	$162	$228	54%	76%
20 years service	40	172	238	57	79
25 years service	50	182	248	61	83
30 years service	60	192	258	64	86
35 years service	70	202	268	67	89
MONTHLY EARNINGS $400**					
15 years service	$30	$184	$261	46%	65%
20 years service	40	194	271	49	68
25 years service	50	204	281	51	70
30 years service	60	214	291	54	73
35 years service	70	224	301	56	75
MONTHLY EARNINGS $500**					
15 years service	$30	$212	$303	42%	61%
20 years service	40	222	313	44	63
25 years service	50	232	323	46	65
30 years service	60	242	333	48	67
35 years service	70	252	343	50	69

*Social Security benefits for retired employees begin at age 65. The amount received is increased by 50 percent when a dependent spouse of a retired employee reaches age 65. A dependent wife and a retired worker may elect to receive a reduced Social Security benefit starting at age 62.

**Average earnings during last ten years before retirement from municipal employment.

***Generally, in figuring Social Security average yearly earnings after 1950, five years of low earnings or no earnings can be excluded. The maximum earnings creditable for Social Security are $3,600 for 1951-54; $4,200 for 1955-58; $4,800 for 1959-65; $6,600 for 1966-67; and $7,800 starting in 1968. Because of this, the benefits for average yearly earnings over $4,800 will not generally be payable for some years to come.

While the dual benefits of Social Security insurance argues strongly in its favor, OASDI does not provide a sufficient retirement income to meet today's rising costs. Federal Government efforts have been directed to provide some minimum basic benefit through OASDI legislation. Between 1950 and 1968, OASDI coverage has been expanded. Children's benefits have been improved and benefits for widows have been liberalized. A cascade of amendments has improved the actual and potential benefits for full-time, year-round workers. The Medicare Bill has added hospital benefits and low-cost medical insurance to the provisions of OASDI. As one pension expert states: "With assurance of a minimum benefit, the employee, through his own individual effort and supplemented by any benefits his employer may provide, can seek to raise his old-age income to an 'adequate' level."[13]

The labor unions which have been strong advocates of Social Security seem to summarize their opinion of OASDI in the following quote:

> The Social Security system accomplished the aims of vesting, continuity of coverage, adequate guarantees, and equity of treatment much more economically, effectively, and efficiently than is possible through a system of scattered, fragmentary, limited and unrelated private pension systems. A private plan should be regarded only as a supplement to the Social Security program. It is not, and never can be, a substitute for it.[14]

A desirable allocation of resources varies from person to person and from group to group. This variety of needs would argue in favor of the present OASDI system being utilized as a base on which to build municipal pension plans.

"From the point of view of the municipality--or the employee--it is a bargain."[15] Social Security will provide a basic disability and retirement income that is weighted in favor of lower income groups. Simultaneously, OASDI provides income to survivors and dependents--at least during their young and older ages. Medicare has added hospital and medical insurance to protect the retiree from overburdening health costs. As Professor William Howard stated: ". . .it is a system that may ultimately have to be subsidized by all taxpayers and since residents of our municipalities pay taxes to the Federal Government, they may as well share in the benefits."[16]

Federal Tax Policy

With the country's Social Security program providing the basic impetus for the growth of pension plans, the Federal Income Tax Law has played a major part in stimulating the growth of municipal pension plans by permitting the tax free earnings of pension trusts. The Federal Government has encouraged the growth of pension trusts through special provisions of the Internal Revenue Code.

Since municipal governments do not pay federal income taxes, it is only those provisions relating to the income of employees and the pension trust itself that are of importance to this paper.

As far as an employee is concerned, the main purpose of his pension plan is to provide him an income when he retires from employment because of age. The Federal Government agrees with this fundamental purpose. Probably, this agreement is

the reason for favorable tax treatment and protective legislation.

Under the provisions of the Tax Law the municipality's contributions to its pension plan are considered wages, but they are not currently taxed to the employees as part of their income for the year. Section 402 of the Internal Revenue Code of 1954 specifically exempts the employee from taxation on contributions made for him by the municipality. We might say that employer contributions are the equivalent of a long-term, tax-free loan to the pension fund. These contributions are treated for income tax purposes as deferred income. The benefits of the pension are taxable to the employees only when actually received. Although all of the income resulting from a pension is ultimately subject to taxation, the delay in taxing pension income works very favorably for the employee.[17]

There can be a definite advantage in paying the tax on this portion of his income after retirement--when he will be taxed at a lower personal rate and may claim two exemptions as a personal deduction. In certain cases, this can be a much lower long-term capital gains rate. This exception occurs when the employee or his estate receives the total amount of his pension benefits in one calendar year.

On his death, an employee's beneficiary can receive up to $5,000 in a lump sum from the deceased employee's pension account (attributable to municipal contributions) free of income tax.

In summary, only pension income derived from employer contributions is taxable--and then only on benefits as they

are actually received or made available. These taxes are paid as if the pension income were an annuity. Under Section 72(d) of the Internal Revenue Code, the employee may spread his cost over the periodic payments of the annuity and the difference between the annual prorated costs. Only the difference actually received is taxed as income. The one exception to this procedure occurs when the employee's total cost is less than the annuity receipts of the first three years. In this case, the initial payments are charged off against his costs until the total cost is completely recovered. The full amount of subsequent payments are then taxed as income.

In addition to municipal contributions, many pension plans are financed through a combination of employer and employee contributions. Income tax is not payable on the portion of pension plan benefits that were financed by the retiree's contributions. In a plan which the employee contributes to the cost, he is currently taxed for the amount of his contribution. The reader should fully realize that even though this contribution is withheld from the employee's wages and paid directly into the pension fund, it still is taxable to the employee. Pension experts agree that the net effect of this tax system is that an employer can provide a larger pension by contributing directly to the pension fund from his own pocket and bypassing the employee. As one expert states: "Since the total sum required to purchase pension benefits comes ultimately from the employer anyway, in most cases the tax advantages to the employee in a non-contributory plan will outweigh the advantages of a contributory plan."[18]

The advantages of a pension plan are further enhanced by the fact that earnings and gains on the trust funds are completely exempt from all taxes until such time as the pension trust pays out benefits to the employees. Thus, the funds compound tax-free during the accumulation period and increase at a much greater rate than if they were subject to tax.

> The tax exemption allowed on the earnings of the monies in the plan permits the employer, per dollar of outlay, to buy a much larger benefit for his employees than would otherwise be possible. And the tax deferment granted to the employee on the funds being accumulated for him enables him to reap far larger benefits than he could if the employer were to pay extra compensation directly to him rather than put it into the plan for him.[19]

The Internal Revenue Code permits tax-free earnings for the pension reserves of municipalities. This is approved by the Florida Legislature which has exempted pension trusts from the rule against perpetuities and the rule against accumulations.[20] Employer contributions are not taxable to employees until they are received, and then usually under favorable tax treatment. Employee contributions are deducted from benefits in arriving at taxable pension income.

Summary

As has clearly been demonstrated, the best way to take care of aged employees is to establish a pension plan. The pension plan is the most practical, humanitarian and economic plan to retire municipal employees who have devoted long periods of service to their employer. Likewise, existing Florida and Federal Legislation encourages this establishment.

The Florida Statutes concerning police officers and firemen have provided a basic impetus toward establishment of a plan to take care of all municipal employees. Moreover, Federal OASDI legislation adds still further advantages for the establishment of such a plan. Equally important is the Federal Tax Policy which encourages the employer to finance pension plans to the advantage of both employer and employee. The need for a pension plan has been clearly shown, so we will turn next to the actual pension ordinance suggested for municipal implementation in Florida.

NOTES

[1]Merton C. Bernstein, The Future of Private Pensions (The Free Press of Glencoe, New York, 1964), p. 194.

[2]Paul P. Harbrecht, Pension Funds and Economic Power (The Twentieth Century Fund, New York, 1959), p. 3.

[3]Bernstein, op. cit., p. 10.

[4]Pension Plans and Trusts (Prentice-Hall, Inc., Englewood Cliffs, New Jersey, March 5, 1965), Vol. XXI, No. 4, pp. 1572-1573.

[5]John I. Saks, "The Older Worker-II; Status in the Labor Market," Monthly Labor Review (January, 1957), p. 20.

[6]Harbrecht, op. cit., pp. 9-10.

[7]S. S. Huebner and Kenneth Black, Jr., Life Insurance (Appleton-Century-Crofts, New York, 1964), 6th Edition, p. 514.

[8]William M. Howard, "Retirement Plans for Police Officers and Firemen in Florida," Economic Leaflets (University of Florida, Gainesville, August, 1960), Vol. XIX, No. 8.

Interested readers will find an excellent summation of this entire area in the above booklet and also in:

William M. Howard, "Retirement Plans for Small Municipalities," Economic Leaflets (University of Florida, Gainesville, June, 1958), Vol. XVII, No. 6.

[9]Broward Williams, "Report to the 1965 Legislature," The Municipal Fireman's Pension Trust Fund (State Treasurer's Office, Tallahassee), First Biennial Report 1963-1964, p. 1.

[10]Broward Williams, "Report to the 1965 Legislature," The Municipal Police Officers' Retirement Trust Fund (State Treasurer's Office, Tallahassee), Third Biennial Report 1963-1964, p. 1.

[11]Securities and Exchange Commission, Survey of Corporate Pension Funds, 1951-1954 (October, 1956), p. 1.

[12]Bernstein, op. cit., p. 178.

[13]Huebner and Black, op. cit., p. 515.

[14]Harbrecht, op. cit., p. 95. Citing: AFL, "Pension Plans Under Collective Bargaining, A Reference Guide for Trade Unions," (no date), p. 86.

[15]Howard, Vol. XVII, op. cit.

[16]Howard, Vol. XVII, op. cit.

[17]Harbrecht, op. cit., p. 132.

[18]Dan M. McGill, Pensions: Problems and Trends (Richard D. Irwin, Inc., Homewood, Illinois, 1955), p. 76.

[19]Pension Plans and Trusts (January 22, 1965), loc. cit., p. 1511.

[20]Pension and Profit Sharing Service (Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1957), Paragraph 6206.

CHAPTER II

A MODEL PENSION PLAN ORDINANCE FOR FLORIDA MUNICIPALITIES

AN ORDINANCE ESTABLISHING A RETIREMENT AND PENSION PLAN FOR EMPLOYEES OF THE CITY OF ANYTOWN, ANY COUNTY, FLORIDA; PROVIDING FOR ITS ADMINISTRATION AND OTHER MATTERS RELATING THERETO.

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WHEREAS, The City Commission of the City of Anytown, Florida, acknowledges that there are municipal employees who have faithfully served the City, will reach the age of retirement because of advanced age, and are deserving of retirement pay:

WHEREAS, The Commission has determined that the City will be better able, at prevailing wage scale to retain the services of day laborers, as well as office and field employees and firemen and policemen if some provision is made for a pension upon retirement at stated ages; and

WHEREAS, It is believed to be in the best interests of the City to create a retirement and pension plan for all employees of the City; now, therefore,

THE CITY OF ANYTOWN DOES ORDAIN:

ARTICLE 1. DEFINITIONS

The following words and phrases, as used in this Ordinance, unless a different meaning is plainly required by the context, shall have the following meanings, and the same and

similar terms when used in connection with any Civil Service System or any other ordinance of the City of Anytown shall not necessarily apply to the members of the retirement system hereby created except when specifically adopted.

1.1 Actuarial Equivalent: A benefit of equal value or equal cost when computed on the basis of such interest rates, mortality, and other actuarial tables as are in effect under the Plan.

1.2 Annuity: Annual payments for life to be paid in equal monthly installments on the last day of the month in which the same accrue. Such payments shall be made on a calendar month basis and the payment for any month may be prorated if appropriate.

1.3 Annual Earnings: Gross earnings received by the employee as compensation for services to the City, including overtime pay. Bonuses shall be excluded.

1.4 Beneficiary: Any person in receipt of, or entitled to, an annuity, retirement allowance, or other benefit as provided by this Ordinance.

1.4 (a) Board of Trustees: For the purpose of this Ordinance, Board of Trustees shall be construed to mean the City Commission.

1.5 Charter: The Charter of the City of Anytown, Florida, as amended.

1.6 City: The City of Anytown, Florida.

1.7 City's Contribution: The annual contribution needed to fund actuarially the liability for annuities credited to

employees on the basis of actuarial methods and assumptions approved by the Commission.

1.8 Commission: City Commission of the City of Anytown.

1.9 Creditable Service: Service in the employment of the City of Anytown for which credit is allowed under the terms of this Ordinance. Such service shall be computed to the nearest whole month of completed service but not including any fractional parts of a month.

1.10 Effective Date of the Plan: The date on which the operation of the Plan is to commence for the purpose of determining eligibility, benefits and related matters, which is hereby fixed as the first day of January, 1968.

1.11 Employee: All persons employed by the City and so classified under rules and regulations and personnel records of the City, including "probational" or permanent employees. Any appointed officer shall only be qualified under this Plan under one office and that office being the one from which he receives the largest annual salary, compensation or remuneration. Independent contractors are excluded. Part-time employees are excluded.

1.12 Fund or Pension Fund: All sums of money paid into the Plan by the City, and all gifts and contributions to the Fund, accepted from other sources, together with earnings and appreciation of the same, less disbursements made from said money, in accordance with the Plan, or less any losses or depreciation, of asset value.

1.13 Gender: The masculine pronoun shall include the feminine pronoun.

1.14 General Employee: A general employee shall include all employees as defined in 1.11 herein, other than policemen and firemen.

1.15 Member: Any person employed by the City who is included in the membership of the Plan as either an original member or a new member. However, a member shall be limited and restricted to the definition of employee.

1.16 Membership Service: Service rendered as a full-time permanent employee since last becoming a member of the Plan. Such service shall be computed to the nearest full month of completed service but not including any additional fractional parts of a month.

1.17 New Member: Any permanent employee who becomes a member of the Plan after the effective date of the Plan.

1.18 Normal Retirement Date: The normal retirement date of a member shall be his normal retirement date as determined in accordance with the terms of the Plan.

1.19 Original Member: Any permanent employee of the City who becomes a member as of the effective date of the Plan.

1.20 Past Service: Service rendered as a full-time permanent employee from January 1, 1960 to the effective date of the Plan.

1.21 Permanent Employee: An employee who has completed his probationary period, been approved for permanent status by the department head under whom he is employed, or the City Commission, if approved by it, and has been certified

by the City Clerk or City Manager as a permanent employee, or according to the personnel records of the City pertaining to such employee. Certification or approval for permanent status shall be subject to the rules of the career service system of the City of Anytown.

1.22 Plan, Pension Plan or Employees' Pension Plan: The system of retirement benefits provided under this Ordinance.

1.23 Plan Year: A period of twelve consecutive months measured from the effective date of the Plan, or from any anniversary thereof.

1.24 Retirement: Withdrawal from active employment by the City with retirement income granted under the provisions of this Plan.

1.25 Retirement Annuity Option: An optional form of retirement annuity as described in Section 5.8.

1.26 Retirement Income: Annual payments for life payable in monthly installments, or the actuarial equivalent paid in lieu thereof, in accordance with the Plan. It is contemplated that separate actuarial tables may be used for male and female employees to reflect the different life expectancies.

1.27 Social Security Option: An optional form of retirement annuity as described in Section 5.9.

1.28 Treasurer: The Treasurer of the Plan is the City Finance Officer.

1.29 Trustee: Any Bank having trust powers which has been designated as Trustee of the Pension Fund by the Commission.

ARTICLE 2. ESTABLISHMENT OF THE SYSTEM

2.1 A pension and retirement system for full-time permanent employees in the service of the City of Anytown, Florida, is hereby established to provide retirement benefits as provided by this Ordinance. It shall be known as the EMPLOYEES' PENSION PLAN OF THE CITY OF ANYTOWN, FLORIDA.

ARTICLE 3. MEMBERSHIP AND SERVICE

3.1 Original Members: All full-time, permanent City Employees who had not reached age sixty (60) when originally employed by the City.

3.2 New Members: New, full-time, permanent City Employees will become eligible to participate in the Plan on the first day of the month following, or coinciding with the date of their employment.

3.3 Creditable Service: Creditable Service for retirement for the purpose of calculating benefits shall consist of the membership service rendered by the employee since he last became a member, plus Past Service rendered continuously since the employee's last date of employment, to his normal retirement date. Any employee will be given credit for service to the City starting January 1, 1960, or his date of employment, whichever is later.

3.4 Service Before the Effective Date of the Plan: No credit will be given general employees for service to the City before January 1, 1960.

ARTICLE 4. CONTRIBUTIONS AND FUNDING

4.1 Cost of the Plan: The cost of the Plan will be borne entirely by the City and by State remittances to finance retirement of firemen and policemen in accordance with Chapters 175 and 185 of the Florida Statutes. Employees will not contribute to the cost of the Plan.

4.2 City's Contribution: The City shall pay into the Fund amounts required to provide the benefits under the Plan, as shall be determined by an actuarial investigation as provided in Article 7.

4.3 Gifts to the Fund: The City may accept gifts, devises, bequests, or appropriations to or for the Fund from any source, but shall have the right to reject the same if they are so conditioned as to conflict with the Charter or this Ordinance, or to make the administration of the same unreasonably difficult.

4.4 Treasurer: Gifts, bequests, devises, or appropriations to the Fund shall be received by the Treasurer, who shall be the Treasurer for the Council. The Treasurer shall be liable for the safekeeping of funds received, and appropriated by the Commission under his bond. The Treasurer shall promptly deposit funds in banks or savings and loan associations designated by the Commission, or transfer to the Trustee or the Insurance Company all funds received and funds appropriated by the City Commission, including those funds received by virtue of the provisions of Chapters 175 and 185 of the Florida Statutes.

4.5 Investment of the Fund: All monies paid into and held by the Pension Fund shall be promptly deposited with the Trustee or the Insurance Company for the benefit of the Pension Fund according to the terms of a Trust Agreement or contract to be negotiated with the Trustee or the Insurance Company.

ARTICLE 5. RETIREMENT AND RETIREMENT BENEFITS

5.1 Normal Retirement: An employee will normally retire on the first day of the month following (or coinciding with) the attainment of the ages shown in the following schedule:

5.1 (a) General Employees:

Age at Entry into the Plan	Retirement Age
55 and under	65
56	66
57	67
58	68
59	69
60 and over	70

5.1 (b) Policemen and Firemen:

Age at Entry into the Plan	Retirement Age
50 and under	60
51	61
52	62
53	63
54	64
55 to 60	65

In the event of such normal retirement the retiring employee shall be entitled to and shall be paid an annuity payable monthly beginning with the month of retirement and continuing until death. The amount of annuity to which a retiring employee will be entitled will be calculated as follows:

(a) The monthly pension for general employees is $2.00 for every year of credit service.

(b) The monthly pension for policemen and firemen is 1 percent of average monthly earnings, during the last ten years of service, for every year of credited service.

5.2 Pension Payments: Pension payments will be made monthly beginning with the first month of retirement and continuing until death, unless a retirement annuity option has been elected in which case payments will be made in accordance with the option.

5.3 Delayed Retirement: An employee who does not desire to retire on his normal retirement date may make written application to the City Clerk or City Manager for retention in regular or part-time employment subsequent to the time of normal retirement showing that the same is in the best interests of the City by reason of his special knowledge, relative efficiency, difficulty of replacement, or other similar or extraordinary factors. Upon the approval of the City Manager the employee may be retained by the City for a period not to exceed one year following his date of normal retirement. Nevertheless, similar additional applications for renewal of retention in employment, may be made under the same procedure in each of four successive years, or until the employee reaches age 70, whichever is earlier. In the event of such deferred retirement, the employee, upon retirement, shall receive the same amount of monthly retirement pension that he would have received had he retired on his normal retirement date.

5.4 Retirement Prior to Normal Retirement Date: A general employee who has twenty years of credited service and has attained his 60th birthday may make written application for early retirement to the City Manager. A fireman or policeman who has twenty years of credited service and has attained his 55th birthday may make written application to the City Manager for early retirement. With approval of the City Manager the employee may retire on the first day of any month following, or coinciding with, his 60th or 55th birthday, whichever shall be applicable as stated above. In such event, he shall be entitled to and shall be paid an annuity equal in amount to the annuity computed on the basis of normal retirement, except that the amount so computed shall be reduced by five-twelfths of one percent of said amount for each month that early retirement precedes his 65th birthday for general employees or his 60th birthday for policemen and firemen.

5.5 Termination of Service Prior to Normal Retirement:

(a) Less than 20 years of credited service or less than age 55: If a member of the Plan dies or ceases to be a permanent employee prior to his normal retirement date and has less than 20 years of credited service, or has not yet attained his 55th birthday in the case of general employees, or his 50th birthday in the case of policemen and firemen, all rights of the employee in the pension plan will terminate.

(b) Twenty years or more of credited service and age 55 or more: If any member of the Plan terminates employment with the City prior to his normal retirement date and

has completed 20 years or more of credited service and has attained the age of 55 years or greater in the case of general employees, or 50 years or greater in the case of policemen and firemen, the pension credit earned at termination will be fully credited to the employee. He may, when he reaches his normal retirement date, make written application to the City Manager for the pension earned, and in such an event, he shall be entitled to, and he shall be paid, an annuity computed on the same basis as that of other employees who retire on their normal retirement date.

5.6 Death Before Retirement Date: The interest of an employee who dies before his normal retirement date will cease and no death benefit under the Plan will be paid to his estate or to the beneficiary of such employee.

5.7 Death After Retirement Date: If an employee dies after retirement no additional payments will be made unless a retirement annuity option has been elected in which case payments will be made in accordance with the option.

5.8 Retirement Annuity Option: The member may elect to receive annuity benefits payable under the Plan with the approval of the Commission in the form of a joint and survivor annuity instead of the normal annuity form, which shall be the actuarial equivalent of the annuity which he would normally receive. Under the joint and survivor annuity, two-thirds of the retirement annuity income continues to the surviving contingent annuitant, until his or her death. The joint and survivor annuity election must be requested by the employee at least three years prior to date of retirement, including

retirement prior to normal retirement date, and shall be subject to approval or disapproval by the Commission at the time of election.

The election of a joint and survivor annuity shall be deemed to be automatically cancelled in the event of the death of either proposed annuitant prior to the member's actual retirement.

5.9 Social Security Option: An employee who retires before he is entitled to receive monthly benefits under the Federal Social Security System may elect to have his retirement annuity benefits increased before his Social Security benefits begin, and decreased thereafter to obtain, insofar as practical, a level total yearly retirement income from the two sources. The amounts he will receive both before and after he becomes eligible for Social Security payments shall be the actuarial equivalent of the benefits to which he would have been entitled had he not selected this option.

5.10 Member Records; Status Statements: A separate record of account shall be maintained for each member, which among other things, shall show his service record, his exact age, any designation of alternate or contingent beneficiaries, together with any such information as is necessary for an active and comprehensive determination of his status under this Plan.

5.11 Benefits Unassignable and not Subject to Process: The right of any member or any beneficiary to any benefits under the Plan or any other right accrued or accruing to any

persons under the provisions of this Ordinance shall not be subject to execution, garnishment, attachment, the operation of any bankruptcy or insolvency law or any other process of law whatever, and shall not be subject to assignment, pledge or hypothecation unless expressly authorized in this Ordinance.

5.12 Errors, Corrections and Adjustments: Should any change or error in the records of the Plan be discovered, or any error in any calculation be made resulting in any member or beneficiary receiving from the Plan more or less than he was entitled to receive, the Council shall have the power to correct such error, and as far as possible to adjust the payments thereafter to be made in such a manner that the actuarially equivalent of the benefit to which such member or beneficiary was correctly entitled, be paid.

5.13 No Interest in the Fund: No member, employee, beneficiary or other persons shall have any interest in, or right in, or to the Fund or any part thereof, or any assets comprising the same, except only as to the extent expressed and provided in this Ordinance.

5.14 Payments in Case of Legal or Other Disability: Whenever and/or as often as a person entitled to payments hereunder shall be under legal disability, or, in the sole judgment of the Commission, shall otherwise be unable to apply such payments to his best interest and advantage, the Commission in the exercise of its discretion may direct that all or any portion of the benefits of such members payable in any one or more of the following ways:

(1) Directly to such person;

(2) To his legal guardian or conservator;

(3) To his spouse, or to any person to be expended for his benefit.

The decision of the Commission shall, in each case, be final and binding on all persons including the affected member of the Plan.

ARTICLE 6. LEAVES OF ABSENCE AND MILITARY SERVICE

6.1 Leaves of Absence: Any member who has been granted a leave of absence (except for vacations, extended vacations, sick leave, extended sick leave, or leaves of absence of benefit to the City and approved by the City Manager) shall be allowed service credit earned prior to the start of leaves of absence, and with service credit to resume upon return to employment.

6.2 Military and Related Service: When any member is inducted or enlists into any of the Armed Forces of the United States, or enlists in any reserve component, enlists in the United States Coast Guard, or in any other reserve component, or enters upon active duty in the Armed Forces of the United States, the United States Coast Guard, or the United States Public Health Service in response to an order or call to active duty, (hereinafter referred to as "military or related service"), and is subsequently re-employed by the City within 90 days after release from any such service, shall again become a member of the Plan, and shall be given service credit for the service before entering military or related

service, and if approved by the Commission for the period of time spent in military or related service as well.

6.3 Re-Employment; No Leave of Absence or Military Service: When any former employee of the City is re-employed, and said employee has not been granted a leave of absence, he may receive credit for prior service if and only if (1) the period of prior employment was of at least one year's duration, (2) the City Manager recommends that he be given credit for prior service, and (3) the Commission approved said recommendation.

ARTICLE 7. ADMINISTRATION OF THE PLAN

7.1 General Supervision: The general supervision of the administration of the Plan shall be by the Commission.

7.2 Compensation of the Commission: The members of the Commission shall serve without compensation for their services.

7.3 Meetings of the Commission: This Plan or any matter herein may be considered and disposed of at any Commission meeting. A majority of the membership shall constitute a quorum and all decisions, acts, and resolutions of the Commission shall be by affirmative vote of at least three members.

7.4 Administrative Regulations: The Commission by resolution may promulgate written rules and regulations not in conflict with the expressed terms of this Ordinance or the Charter to cover the operation of any phase or part of the Plan as provided by this Ordinance. Copies of such rules and regulations shall be furnished to any member of

the Plan upon request and at least one copy thereof shall be kept available in the office of the City Clerk for examination by any interested persons at any time during ordinary business hours. Otherwise, a copy of this Ordinance shall fully meet the provisions herein.

7.5 Interpretation of the Plan: The Commission has the power to construe all terms, rules, conditions and limitations of the Plan, and its construction made in good faith shall be final and conclusive upon all parties' interests.

7.6 Agents and Employees: The Commission shall have the power to select, employ and compensate, or cause to compensate from time to time such consultants, actuaries, accountants, attorneys, investment counsel and other agents and employees as they may deem necessary and advisable in the proper and efficient administration of the Plan.

7.7 Other Powers and Duties: The powers and duties of the Commission or of any other persons as set out herein are not intended to be complete or exclusive but each such body or persons shall have such powers and duties as are reasonably implied under the terms of this Ordinance. Where not in conflict with this Ordinance, or the Charter, the Trust Agreement or contract entered into with the Insurance Company, shall govern.

7.8 Secretary of the Council: The City Clerk or Deputy Clerk shall be Secretary to the Commission under this Plan.

7.9 Duties of the Secretary: It shall be the duty of the Secretary to keep accurate minutes and records of the

acts of the Commission under this Plan separate and apart from the regular minutes of City Commission meetings. This provision is made for the express purpose of having all proceedings in connection with this Plan in one set of books, thereby saving going through all of the minutes of the various Commission meetings. They shall be available to the public, city officials, and employees under this Plan at all times.

7.10 Written Records: All notices, elections, designations and changes of beneficiaries and similar writings pertaining to the operation of the Plan shall be made and preserved in writing on such forms as the Commission may direct. The secretary shall maintain all records in segregated files pertaining to the Plan and they shall not be intermingled with other files of the City. Whenever there is any notice, election, designation, complaint, ruling, or other written proceedings relating to a particular employee, the Secretary shall furnish the Trustee or the Insurance Company, when necessary, with a copy of same, as well as the employee.

7.11 Authority of Commission: The Commission shall have authority to direct that pension plan funds be deposited with banks and/or savings and loan associations or invested in securities, to negotiate appropriate contracts with a bank having trust powers, or an insurance company or companies, under the terms of which trust agreements or contracts funds will be deposited with the bank, company or companies, as determined by the Commission and annuities may be provided

for members and their beneficiaries in accordance with the terms of this Plan. The Commission may terminate such trust agreements or contracts or negotiate amendments as it sees fit. Any trust agreement shall be for investment purposes only and the Commission acting as a Board of Trustees shall at all times maintain administration of the funds.

7.12 Annual Reports by the Trustee or Insurance Company: The Trustee or Insurance Company or Companies with which a trust agreement or contract or contracts are entered into for the administration of the Plan shall submit a statement of the condition of the funds on deposit to the credit of the Plan at least once yearly, and may be required to supply copies of such statements to an actuarial consultant designated by the Commission. The original shall be retained among the records of the Secretary of the Commission.

7.13 Actuary: The Commission shall employ an actuary to review the operation of the Plan at intervals of not more than two years, and to make his recommendations to the Commission as to the actuarial solvency of the Plan, the amount of the City's contributions to the Fund which in his opinion is necessary to be made for the current operation of the Plan, what benefits the Plan can afford to pay on the basis of accumulated contributions to the Plan, and current rates of contribution, and such other information as the Commission may require. The Actuary's report shall be submitted in writing and copies thereof shall be available to members of the Plan upon request. The Commission may also retain said Actuary

or some other actuary as a consultant, and provide for compensation for services.

7.14 Adoption of Tables: In making any actuarial computation provided in this Ordinance, the tables, charts and other statistical information shall be selected by the Commission from standard sources in common use by other annuity and pension plans, including but not limited to those operated by governmental bodies in the United States of America or by the United States Internal Revenue Service.

7.15 Responsibilities of Members and Beneficiaries: Each member or beneficiary or other interested member shall be responsible for advising the Commission of his current mailing address, and promptly advising the Commission relating to any error, in whosoever's favor, in connection with the payment of benefit or any other payment under or in connection with the Plan.

7.16 Interest on Delayed Payments: Pension payments, although not promptly paid for any reason, and any other payments to be made out of the Fund, although not paid promptly for any reason, shall not bear interest unless so ordered by the Commission, who shall have discretion to fix the rate and calculate any such interest, and in such event, the interest to be paid shall not exceed the then current rate of interest being returned on the funds on deposit with the Trustee or the Insurance Company, or other financial institution.

7.17 Personal Liability: Each member of the Commission shall use ordinary care and diligence in the performance of

his duties and shall not be liable for any loss unless resulting from his own gross negligence, or his willful misconduct; nor shall such members be personally liable upon or with respect to any agreement, act, transaction or omission executed, committed or suffered to be committed himself as one or a member of said body or by any other member, agent, representative, or employee of any body; moreover said bodies and members and agents thereof shall each be fully protected in relying on the advice of the City Attorney or his assistants, or upon any other attorney employed by the City, or said bodies, or either of them insofar as legal matters are concerned, or any accountant similarly employed insofar as accounting matters are concerned, and of any actuaries similarly employed so far as actuarial matters are concerned. Any person having any claim under the Plan shall look solely to the assets of the Fund for the satisfaction of such claims.

7.18 Small Annuities - Lump Sum Payments: Whenever any retirement annuities shall be less than $10.00 per month, the Commission may elect to have payments made quarterly. If the annuity payable at quarterly intervals shall be less than $10.00, the Commission may elect to pay the commuted value of the same, calculated at regular interest, in one lump sum. Such election shall be made within six months after the member's retirement unless he consents in writing to a subsequent election by the Commission under this Section.

7.19 Filing Defined: Where any notice, election or other instrument is required or permitted by this Ordinance to be filed with the Commission, the same may be filed with its Secretary.

ARTICLE 8. FUTURE CHANGES IN THE OPERATION OF THE PLAN

8.1 General: It is contemplated, and all original and new members of the Plan shall be deemed to have notice, that the City Commission of this City may in the future decide that it is in the best interests of the City and the members of the Plan to modify or terminate Trust Agreements or contracts entered into with an insurance company or companies, to exercise options available to the City under the terms of such Trust Agreements or contracts, to select another insurance company, trust, or other financial institution, as the depository for pension funds.

8.2 Termination of Plan and Distribution of Fund: The provisions of Florida Statute 185.37 pertaining to termination of the Plan and distribution of the Fund are hereby incorporated by reference as the same would apply to the rights of policemen and firemen under the terms of this Plan.

ARTICLE 9. PROTECTION AGAINST FRAUD AND DECEIT

9.1 Violations and Punishment: Whosoever with intent to deceive shall make or cause to be made any statement, report, certificate, election, notice, claim or other instrument, authorized or required under this Chapter, whether of the enumerated classes or otherwise, which shall be untrue, or who shall falsely or cause to commit to be falsified any record comprising any part of the operation or administration of the Plan contemplated by this Ordinance, shall be as follows: Punished by a fine, not exceeding $300.00, or by imprisonment not exceeding 90 days, or by both such fine and imprisonment.

Any such violation shall also be punishable as provided under the laws of the State of Florida.

ARTICLE 10. AMENDMENT

10.1 Power to Amend: The City Commission shall have continuous power to amend this Ordinance as provided by its Charter.

ARTICLE 11. SEPARABILITY AND CONSTRUCTION

11.1 In the event any section, sub-section, sentence, clause or phrase of this Ordinance shall be held to be invalid or unconstitutional such adjudication shall not in any manner affect the remaining portions of the Ordinance, which shall be, and remain in full force and effect as fully as if the portions so adjudicated invalid are unconstitutional were not originally a part thereof. The articles and section headings included in this Ordinance shall not be construed to limit the text included hereunder.

ARTICLE 12. REPEAL OF CONFLICTING ORDINANCES

12.1 All ordinances and parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

ARTICLE 13. EFFECTIVE DATE

13.1 This Ordinance shall take effect in accordance with law and the Charter of the City of Anytown, Florida, as amended, and shall become effective immediately upon its passage and approval by the Commission.

Passed and adopted by the City Commission of the City of Anytown, Florida, on the 4 day of May, 1968.

_____
Mayor

ATTEST:

_____
City Clerk

CHAPTER III

DEFINITIONS, EXPLANATION OF RELATED PROVISIONS AND ESTABLISHMENT OF THE PENSION SYSTEM

The pension ordinance should give complete details of the entire pension program. A pension plan that is properly drawn at the beginning can save many administrative headaches in the future. It is far better to cover all probable eventualities at the outset than to amend or improvise later to meet a situation that is not covered in the original provisions of the ordinance. Because eventualities may not be properly covered, the ordinance should contain provisions permitting the municipality to amend or even discontinue the plan if necessary.[1]

Florida law requires that an ordinance be preceded by a brief description of its intent. This enables any interested party to determine the nature and purpose of the ordinance by reading the brief description rather than the entire ordinance. The following paragraph briefly describes the pension ordinance:

> An ordinance establishing a retirement and pension plan for employees of the City of Anytown, Any County, Florida; Providing for its administration and other matters relating thereto.[2]

Definitions

The language of the plan must be precise and exact in

its meaning. From a review of legal cases, we can conclude that "the courts have consistently found that the language of the plan is the controlling consideration in ascertaining employee rights, as if the plan were a contract whose terms were decided upon by equals dealing at arm's length."[3]

Towards this goal of precise language, the City Attorney should be instrumental when drawing up the proper wording of the ordinance. Every proper plan contains a list of terms and their definitions which is included to prevent any misunderstanding of the provisions of the pension program. Definitions may also be useful when they eliminate lengthy repetitive descriptions throughout the ordinance.

The list of definitions in the ordinance is preceded by the following paragraph:

> The following words and phrases, as used in this Ordinance, unless a different meaning is plainly required by the context, shall have the following meanings, and the same and similar terms when used in connection with any Civil Service System or any other ordinance of the City of Anytown shall not necessarily apply to the members of the retirement system hereby created except when specifically adopted.[4]

Actuarial Equivalent:

> A benefit of equal value or equal cost when computed on the basis of such interest rates, mortality, and other actuarial tables as are in effect under the plan.

It is necessary to define this term in order to eliminate any possible ambiguity in the meaning of Section 5.8, 5.9, and 5.12. These subsections of the model ordinance permit employees to elect an optional annuity form and state that these options should be the "actuarial equivalent" of the annuity which he would normally receive. If there were a possible alternative

interpretation, an employee might argue that he should be entitled to a greater amount of monthly annuity payments by the selection of an optional annuity form than if determined by an actuary.

This term is used in Sections 5.8, 5.9, and 5.12 of the model pension ordinance.

5.8) With the approval of the commission, the member may elect to receive his annuity benefits in the form of a joint and survivor annuity instead of the normal annuity form. The joint and survivor annuity shall be the "actuarial equivalent" of the annuity which he would normally receive.

5.9) An employee who retires before he is entitled to receive monthly social security payments may elect to receive a higher annuity before social security benefits begin, and a decreased annuity after receipt of social security payments. The reduced amount of retirement annuity plus social security would, insofar as practical, be the same in amount as that provided prior to receipt of social security. The amounts he will receive from the city both before and after he becomes eligible for social security payments shall be the "actuarial equivalent" of the benefits to which he would have been entitled had he not selected this option.

5.12) Should any error in the records of the plan be discovered, the Council shall have the power to correct such error, and to adjust the payments thereafter to be made in such a manner that the "actuarial equivalent" of the benefit to which such member or beneficiary was correctly entitled, be paid.

Annuity:

> Annual payments for life to be paid in equal monthly installments on the last day of the month in which the same accrue. Such payments shall be made on a calendar month basis and the payment for any month may be prorated if appropriate.

It is necessary to define the term "annuity" because the benefits payable for the lifetime of a retired employee will vary according to occupation, creditable service, and annual earnings.

This term is used in Sections 5.1, 5.4, 5.5(b), 5.8, and 7.18 of the model pension ordinance.

5.1) When an employee retires he shall be entitled to receive an "annuity" payable monthly beginning with the month of retirement and continuing until death. The amount of the "annuity" to which a retiring employee will be entitled is calculated in subsection a and b of Section 5.1.

5.4) When an eligible employee retires prior to his normal retirement date, he shall be entitled to and shall be paid an "annuity" that is less than the "annuity" which he would have received at normal retirement.

5.5(b) A member who has attained a minimum age and has completed 20 years or more of credit service may terminate his employment with the city prior to his normal retirement date and still receive an "annuity" when he reaches his normal retirement date.

5.8) A member may elect to receive the benefits payable under the plan in the form of a joint and survivor "annuity" instead of the normal "annuity" form.

7.18) Whenever any retirement "annuity" shall be less than $10.00 per month, the commission may elect to have payments made quarterly. If the "annuity" payable at quarterly intervals shall be less than $10.00, the Commission may elect to pay the commuted value of the same, calculated at regular interest, in one lump sum.

Annual Earnings:

> Gross earnings received by the employee as compensation for services to the City, including overtime pay. Bonuses shall be excluded.

It is necessary to define this term because pension benefits for policemen and firemen are based on earnings. Because the pension is computed on average monthly earnings, it is necessary to define annual earnings so that we will have a basis for determining pension benefits. For example, if the term is not defined, an employee might claim that his pension should be based on his regular compensation, plus any bonuses received. This definition limits the salary scale to be used when calculating the costs and liabilities of the retirement system.

This term is used in Section 5.16 of the model pension ordinance.

5.1(b) The monthly pension for policemen and firemen is 1 percent of average monthly "earnings," during the last ten years of service, for every year of credited service.

Beneficiary:

> Any person in receipt of, or entitled to, an annuity, retirement allowance, or other benefit as provided by this Ordinance.

This definition clarifies the person we are referring to when discussing the plan benefits.

The term is used in Sections 5.6, 5.10, 5.11, 5.12, 5.13, 7.10, and 7.15 of the model pension ordinance.

5.6) If an employee dies before his normal retirement date, no death benefit under the plan will be paid to his estate or to the "beneficiary" of such employee.

5.10) A separate record of account shall be maintained for each member, which among other things, shall show any designation of alternate or contingent "beneficiaries."

5.12) Should any change or error in the records of the plan be discovered resulting in any member or "beneficiary" receiving from the plan more or less than he was entitled to receive, the Council shall have the power to correct such error.

5.13) Except as provided in this Ordinance, no member, employee, "beneficiary" or other persons shall have any interest in the Fund.

7.10) All designations and changes of "beneficiaries" shall be made and preserved in writing on such forms as the Commission may direct.

7.15) Each member or "beneficiary" shall be responsible for advising the Commission of his current mailing address, and shall promptly advise the Commission of any error in connection with any payment under the Plan.

Charter:

The Charter of the City of Anytown, Florida, as amended.

The use of this definition saves lengthy descriptions within the ordinance.

4.3) The City shall have the right to reject gifts, devises, bequests, or appropriations if they are so conditioned as to conflict with the "Charter."

7.4) The Commission may promulgate written rules and regulations not in conflict with the "Charter" to cover the operation of any phase or part of the Plan.

10.1) The City Commission shall have continuous power to amend this Ordinance as provided by its "Charter."

13.1) This Ordinance shall take effect in accordance with law and the "Charter" of the City of Anytown.

City:

The City of Anytown, Florida.

The use of this definition eliminates the complete description of the City of Anytown.

This term is used in Sections 3.1, 3.3, 3.4, 3.5, 4.1, 4.2, 4.3, 5.3, 5.5(b), 6.1, 6.2, 6.3, 7.10, and 8.1 of the model pension ordinance.

3.1) Original members shall be all full-time, permanent City Employees who had not reached age sixty when originally employed by the "City."

3.3) Any employee will be given credit for service to the "City" starting January 1, 1960, or his date of employment, whichever is later.

3.4) No credit will be given general employees for service to the "City" before January 1, 1960.

3.5) Policemen and Firemen will be credited with all years of service to the "City."

4.1) The cost of the plan will be borne entirely by the "City" and by State remittances to finance retirement of firemen and policemen in accordance with Chapters 175 and 185 of the Florida Statutes.

4.2) The "City" shall pay into the Fund amounts required to provide the benefits under the Plan.

4.3) The "City" may accept gifts, devises, bequests, or appropriations to or for the fund from any source.

5.3) An employee may make written application for delayed retirement showing that retention in regular or part-time employment is in the best interests of the "City."

5.5(b) If any member of the Plan terminates employment with the "City" prior to his normal retirement date and has completed 20 years or more of credited service and has attained a certain minimum age, the pension credit earned at termination will be fully credited to the employee.

6.1) Any member who has been granted a leave of absence (except for leaves of absence of benefit to the "City" and approved by the City Manager) shall be allowed service credit earned prior to the start of leaves of absence, and with service credit to resume upon return to employment.

6.2) When any member is inducted or enlists into any military or related service, and is subsequently re-employed by the "City" within 90 days after release from any such service, shall again become a member of the Plan.

6.3) When any former employee of the "City" is re-employed, and said employee has not been granted a leave of absence, he may receive credit for prior service if he meets certain conditions of this subsection.

7.10) The secretary shall maintain all records in segregated files pertaining to the Plan and they shall not be intermingled with other files of the "City."

8.1) It is contemplated, and all original and new members of the Plan shall be deemed to have notice, that the City Commission of this "City" may in the future decide that it is in the best interests of the "City" and the members of the Plan to modify or terminate Trust Agreements or contracts entered into with an insurance company or companies, to exercise options available to the "City" under the terms of such Trust Agreements or contracts, to select another insurance company, trust, or other financial institution, as the depository for pension funds.

City's Contribution:

> The annual contribution needed to fund actuarially the liability for annuities credited to employees on the basis of actuarial methods and assumptions approved by the Commission.

Insurance principles govern the operation of a pension plan. It is necessary to comply with actuarial requirements; therefore the annual rate of contribution has to be predetermined at levels which will insure the accumulation of sufficient reserves to meet the liabilities accruing under the Plan.

This term is used in Sections 4.2, and 7.13 of the model pension ordinance.

4.2) The City shall pay into the Fund amounts required to provide the benefits under the Plan.

7.13) An actuary shall be employed by the Commission and he shall recommend the amount of the "City's contributions" to the fund which in his opinion is necessary for the current operation of the Plan.

Commission:

City Commission of the City of Anytown.

The Commission is charged with the general administration and policy direction of the plan. The definition eliminates use of the complete title of the City Commission within the ordinance.

This term is used in Sections 4.4, 5.8, 5.14, 6.2, 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.10, 7.11, 7.12, 7.13, 7.14, 7.15, 7.16, 7.17, 7.18, and 7.19 of the model pension ordinance.

4.4) The Treasurer shall be liable for the safekeeping of funds received, and appropriated by the "Commission" under his bond.

5.8) The member may elect to receive annuity benefits payable under the plan with the approval of the "Commission" in the form of a joint and survivor annuity instead of the normal annuity form.

5.14) In case of legal or other disability, the "Commission" may direct that all or any portion of a member's benefits be payable to someone other than the member. The decision of the "Commission" shall be final and binding.

6.2) Under conditions of this subsection, a member shall be given service credit for city service before entering military or related service, and if approved by the "Commission"

for the period of time spent in military or related service as well.

7.1) The general supervision of the administration of the Plan shall be by the "Commission."

7.2) The members of the "Commission" shall serve without compensation for their services.

7.3) This Plan or any matter herein may be considered and disposed of at any "Commission" meeting, and resolutions of the "Commission" shall be by affirmative vote of at least three members.

7.4) The "Commission" by resolution may promulgate written rules and regulations not in conflict with the expressed terms of this Ordinance or the Charter to cover the operation of any phase or part of the Plan as provided by this Ordinance.

7.5) The "Commission" has the power to interpret the Plan, and its construction made in good faith shall be final and conclusive upon all parties' interests.

7.6) The "Commission" shall have the power to select, employ and compensate such agents and employees as they may deem necessary and advisable in the proper and efficient administration of the Plan.

7.7) The powers and duties of the "Commission" as set out herein are not intended to be complete or exclusive but each such body or persons shall have such powers and duties as are reasonably implied under the terms of this Ordinance.

7.8) The City Clerk shall be Secretary to the "Commission" under this plan.

7.9) It shall be the duty of the Secretary to keep accurate minutes and records of the acts of the "Commission" under this Plan separate and apart from the regular minutes of City Commission meetings.

7.10) All notices, elections, designations and changes of beneficiaries and similar writings pertaining to the operation of the Plan shall be made and preserved in writing on such forms as the "Commission" may direct.

7.11) The "Commission" shall have authority to direct where pension plan funds be deposited or invested, and to negotiate appropriate contracts with a bank or an insurance company. The "Commission" may terminate trust agreements or contracts or negotiate amendments as it sees fit. The "Commission" acting as a Board of Trustees shall at all times maintain administration of the funds.

7.12) The Trustee or Insurance Company or Companies with which a trust agreement or contract or contracts are entered into for the administration of the Plan shall submit annual reports which shall be retained among the records of the Secretary of the "Commission."

7.13) The "Commission" shall employ an actuary to review the operation of the Plan at intervals of not more than two years, and to make his recommendations to the "Commission" as to the actuarial solvency of the Plan, and such other information as the "Commission" may require. The "Commission" may retain the actuary as a consultant, and provide for compensation for services.

7.14) In making any actuarial computation provided in this Ordinance, the tables, charts and other statistical information shall be selected by the "Commission" from standard sources in common use by other annuity and pension plans.

7.15) Each member or beneficiary or other interested member shall be responsible for advising the "Commission" of his current mailing address, and promptly advising the "Commission" relating to any error in connection with the payment of benefit under or in connection with the Plan.

7.16) Pension payments and any other payments to be made out of the fund, although not paid promptly for any reason, shall not bear interest unless so ordered by the "Commission," who shall have discretion to fix the rate and calculate any such interest.

7.17) Each member of the "Commission" shall use ordinary care and diligence in the performance of his duties and shall not be liable for any loss unless resulting from his own gross negligence, or his willfull misconduct.

7.18) Whenever any retirement annuities shall be less than $10.00 per month, the "Commission" may elect to have payments made quarterly. If the annuity payable at quarterly intervals shall be less than $10.00, the "Commission" may elect to pay the commuted value of the same, calculated at regular interest, in one lump sum.

7.19) Where any notice, election or other instrument is required or permitted by this ordinance to be filed with the "Commission," the same may be filed with its Secretary.

Creditable Service:

> Service in the employment of the City of Anytown for which credit is allowed under the terms of this Ordinance. Such service shall be computed to the nearest whole month of completed service but not including any fractional parts of a month.

Employee's retirement benefits are based upon their service to the municipality. The conditions for retirement prescribed in the model ordinance are the attainment of a certain minimum age and the completion of a certain period of service. It is important to clearly define employment that will be credited for retirement so that both the employee and the municipality can agree on computations of pension benefits.

This term is used in Sections 3.3, 5.1(a), 5.1(b), 5.4, 5.5(a), and 5.5(b) of the model pension ordinance.

3.3) "Creditable Service" for retirement for the purpose of calculating benefits shall consist of the membership service rendered by the employee since he last became a member, plus Past Service subject to the limitations of this section rendered continuously since the employee's last date of employment, to his normal retirement date.

5.1(a) The monthly pension for general employees is $2.00 for every year of "credited service."

5.1(b) The monthly pension for policemen and firemen is 1 percent of average monthly earnings, during the last ten years of service, for every year of "credited service."

5.4) A general employee who has twenty years of "credited service" and has attained his 60th birthday may make written application for early retirement to the City Manager.

A fireman or policeman who has twenty years of "credited service" and has attained his 55th birthday may make written application to the City Manager for early retirement.

5.5(a) If a member of the Plan dies or ceases to be a permanent employee prior to his normal retirement date and has less than 20 years of "credited service," or has not yet attained his 55th birthday in the case of general employees, or his 50th birthday in the case of policemen and firemen, all rights of the employee in the pension plan will terminate.

5.5(b) If any member of the Plan terminates employment with the City prior to his normal retirement date and has completed 20 years or more of "credited service" and has attained the age of 55 years or greater in the case of general employees, or 50 years or greater in the case of policemen and firemen, the pension credit earned at termination will be fully credited to the employee.

Effective Date of the Plan:

> The date on which the operation of the Plan is to commence for the purpose of determining eligibility, benefits and related matters, which is hereby fixed as the first day of January, 1968.

This definition fixes the date on which the operation of the plan will commence. This is necessary for the purpose of determining eligibility, benefits, and related matters which are computed from the effective date.

This term is used in Sections 3.4, and 3.5 of the model pension ordinance.

3.4) With reference to service before the "effective date" of the Plan, no credit will be given general employees for service to the City before January 1, 1960.

3.5) Policemen and Firemen will be credited with all years of service to the City before the "effective date" of the Plan.

Employee:

> All persons employed by the City and so classified under rules and regulations and personnel records of the City, including "probational" or permanent employees. Any appointed officer shall only be qualified under this Plan under one office and that office being the one from which he receives the largest annual salary, compensation or remuneration. Independent contractors are excluded. Part-time employees are excluded.

Pension benefits must be kept within the financial limits of the municipality. Keeping these benefits within reasonable limits may be most equitably accomplished by eliminating certain classes of employees from the plan. The model ordinance includes all permanent employees in the plan while eliminating part-time employees and independent contractors. This elimination is accomplished by definition which excludes part-time employees.

This term is used in Sections 3.3, 4.1, 5.1, 5.3, 5.6, 5.7, 5.9, 5.13, and 6.3 of the model pension ordinance.

3.3) Creditable service for retirement for the purpose of calculating benefits shall consist of the membership service rendered by the "employee" since he last became a member plus past service. Any "employee" will be given credit for service to the City starting January 1, 1960, or his date of employment, whichever is later.

4.1) "Employees" will not contribute to the cost of the Plan.

5.1) An "employee" will normally retire on the first day of the month following (or coinciding with) the attainment of the ages shown in the schedule presented in this subsection. In the event of normal retirement the retiring "employee" shall be entitled to and shall be paid an annuity payable monthly beginning with the month of retirement and continuing until death. The amount of annuity to which a retiring "employee" will be entitled is calculated in subsections (a) and (b) of section 5.1.

5.3) An "employee" who does not desire to retire on his normal retirement date may make written application to the City Clerk or City Manager for retention in regular or part-time employment. Upon the approval of the City Manager the "employee" may be retained by the City for a period not to exceed one year following his date of normal retirement. In the event of such deferred retirement, the "employee," upon retirement, shall receive the same amount of monthly retirement pension that he would have received had he retired on his normal retirement date.

5.6) The interest of an "employee" who dies before his normal retirement date will cease and no death benefit under the Plan will be paid to his estate or to the beneficiary of such "employee."

5.7) If an "employee" dies after retirement no additional payments will be made unless a retirement annuity option has been elected in which case payments will be made in accordance with the option.

5.9) An "employee" may select the Social Security Option so that he receives, insofar as practical, a level total yearly retirement income from the two sources.

5.13) No member, "employee," beneficiary or other persons shall have any interest in, or right in, or to the fund or any part thereof, or any assets comprising the same, except only as to the extent expressed and provided in this Ordinance.

6.3) When any former "employee" of the City is re-employed, and said "employee" has not been granted a leave of absence, he may receive credit for prior service if he meets the requirements of this subsection.

Fund or Pension Fund:

> All sums of money paid into the Plan by the City, and all gifts and contributions to the Fund, accepted from other sources, together with earnings and appreciation of the same, less disbursements made from said money, in accordance with the Plan, or less any losses or depreciation, of asset value.

Use of this definition eliminates lengthy descriptions of the monetary assets accumulated to meet the obligations of the retirement plan established by the model ordinance.

This term is used in Sections 4.2, 4.3, 4.4, 4.5, 5.13, 7.13, 7.16, 7.17, and 8.2 of the model pension ordinance.

4.2) The City shall pay into the "Fund" amounts required to provide the benefits under the Plan.

4.3) The City may accept gifts, devises, bequests, or appropriations to or for the "Fund" from any source.

4.4) Gifts, bequests, devises, or appropriations to the "Fund" shall be received by the Treasurer, who shall be the Treasurer for the Council.

4.5) All monies paid into and held by the "Pension Fund" shall be promptly deposited with the Trustee or the Insurance Company for the benefit of the "Pension Fund" according to the terms of a Trust Agreement or contract to be negotiated with the Trustee or the Insurance Company.

5.13) No member, employee, beneficiary or other person shall have any interest in, or right in, or to the "Fund" or any part thereof, except as to the extent expressed and provided in this Ordinance.

7.13) The Commission shall employ an actuary to review the operation of the Plan at intervals of not more than two years. One of the recommendations that the actuary will make to the Commission shall be the amount of the City's contributions to the "Fund" which in his opinion is necessary to be made for the current operation of the Plan.

7.16) Pension payments, although not promptly paid for any reason, and any other payments to be made out of the "Fund," although not paid promptly for any reason, shall not bear interest unless so ordered by the Commission.

7.17) Each member of the Commission shall use ordinary care and diligence in the performance of his duties and shall not be liable for any loss unless resulting from his own gross negligence or his wilful misconduct; therefore any person having any claim under the Plan shall look solely to the assets of the "Fund" for the satisfaction of such claims.

8.2) The provisions of Florida Statute 185.37 pertaining to termination of the Plan and distribution of the "Fund" are

hereby incorporated by reference as the same would apply to the rights of policemen and firemen under the terms of this Plan.

Gender:

The masculine pronoun shall include the feminine pronoun.

This definition is included for simplicity when drawing up the pension ordinance.

General Employee:

A general employee shall include all employees as defined in 1.11 herein, other than Policemen and Firemen.

All full-time employees are included in the retirement plan and all occupational groups of employees are included within the model pension ordinance. The provisions of the retirement plan differ according to the occupational requirements of the different classes of employees. For this reason, it is necessary to define each class of employee.

This term is used in Sections 3.4, 5.1(a), 5.4, 5.5(a), and 5.5(b) of the model pension ordinance.

3.4) No credit will be given "general employees" for service to the City before January 1, 1960.

5.1(a) "General Employees" will normally retire on the first day of the month following (or coinciding with) the attainment of the ages shown in the schedule contained in this subsection. The monthly pension for "general employees" is $2.00 for every year of credited service.

5.4) A "general employee" who has twenty years of credited service and has attained his 60th birthday may make written

application for early retirement to the City Manager. In such event, he shall be entitled to and shall be paid an annuity equal in amount to the annuity computed on the basis of normal retirement, except that the amount so computed shall be reduced by five-twelfths of one percent of said amount for each month that early retirement precedes his 65th birthday for "general employees."

5.5(a) If a member of the Plan dies or ceases to be a permanent employee prior to his normal retirement date and has less than 20 years of credited service, or has not yet attained his 55th birthday in the case of "general employees," all rights of the employee in the pension plan will terminate.

5.5(b) If any member of the Plan terminates employment with the City prior to his normal retirement date and has completed 20 years or more of credited service and has attained the age of 55 years or greater in the case of "general employees," the pension credit earned at termination will be fully credited to the employee.

Member:

> Any person employed by the City who is included in the membership of the Plan as either an original member or a new member. However, a member shall be limited and restricted to the definition of employee.

Persons employed by the municipality should be able to determine whether they will be eligible for the benefits of the retirement system. This definition limits and restricts members of the retirement system to the definition of employees.

This term is used in Sections 5.5(a), 5.5(b), 5.8, 5.10, 5.11, 5.12, 5.13, 5.14, 6.1, 6.2, 7.4, 7.11, 7.13, 7.15, 7.18, and 8.1 of the model pension ordinance.

5.5(a) If a "member" of the Plan dies or ceases to be a permanent employee prior to his normal retirement date and has less than 20 years of credited service, or has not yet attained a certain age, all rights of the employee in the pension plan will terminate.

5.5(b) If any "member" of the Plan terminates employment with the City prior to his normal retirement date and has completed 20 years or more of credited service and has attained the ages specifed in this subsection, the pension credit earned at termination will be fully credited to the employee.

5.8) The "member" may elect to receive annuity benefits payable under the Plan with the approval of the Commission in the form of a joint and survivor annuity instead of the normal annuity form. The election of a joint and survivor annuity shall be deemed to be automatically cancelled in the event of the death of either proposed annuitant prior to the "member's" actual retirement.

5.10) A separate record of account shall be maintained for each "member."

5.11) The right of any "member" or any beneficiary to any benefits under the Plan or any other right accrued or accruing to any persons under the provisions of this Ordinance shall be unassignable and not subject to process of law.

5.12) Should any change or error in the records of the Plan be discovered, or any error in any calculation be made resulting in any "member" or beneficiary receiving from the Plan more or less than he was entitled to receive, the Council

shall have the power to correct such error, and as far as possible to adjust the payments thereafter to be made in such a manner that the actuarially equivalent of the benefit to which such "member" or beneficiary was correctly entitled, be paid.

5.13) No "member," employee, beneficiary or other persons shall have any interest in, or right in, or to the Fund or any part thereof, or any assets comprising the same, except only as to the extent expressed and provided in this Ordinance.

5.14) Whenever and/or as often as a person entitled to payments hereunder shall be under legal or other disability, the Commission may direct that all or any portion of the benefits of such "members" be payable in one or more of the ways outlined in this subsection.

6.1) Any "member" who has been granted a certain leave of absence shall be allowed service credit earned prior to the start of leaves of absence, and with service credit to resume upon return to employment.

6.2) When any "member" is inducted or enlists in the military or related service in response to an order or call to active duty, and is subsequently re-employed by the City within 90 days after release from any such service, he shall again become a "member" of the Plan and shall be given service credit for this service before entering military or related service.

7.4) Copies of rules and regulations promulgated by the Commission to cover the operation of any phase or part

of the Plan as provided by this Ordinance shall be furnished to any "member" of the Plan upon request.

7.11) The Commission shall have authority to direct that pension plan funds be deposited with banks and/or savings and loan associations or invested in securities or an insurance company or companies, as determined by the Commission and annuities may be provided for "members" and their beneficiaries in accordance with the terms of this Plan.

7.13) The Commission shall employ an actuary to review the operation of the Plan, and his report shall be submitted in writing and copies thereof shall be available to "members" of the Plan upon request.

7.15) Each "member" or beneficiary or other interested "member" shall be responsible for advising the Commission of his current mailing address, and any other information in connection with any payment under or in connection with the Plan.

7.18) Whenever any retirement annuity payable at quarterly intervals shall be less than $10.00, the Commission may elect to pay the commuted value of the same in one lump sum providing such election is made within six months after the "member's" retirement unless he consents in writing to a subsequent election by the Commission.

8.1) It is contemplated that the City Commission of this City may in the future decide that it is in the best interests of the City and the "members" of the Plan to modify or terminate Trust Agreements or contracts entered into with an insurance company or companies, or to select another insurance company,

trust, or other financial institution as the depository for pension funds.

Membership Service:

> Service rendered as a full-time permanent employee since last becoming a member of the Plan. Such service shall be computed to the nearest full month of completed service but not including any additional fractional parts of a month.

The formula for computing pension benefits is dependent on the employee's service to the municipality. Part of the employee's creditable service will be membership service since last becoming a member of the retirement system.

This term is used in Section 3.3 of the model pension ordinance.

3.3) Creditable service for retirement for the purpose of calculating benefits shall consist of the "membership service" rendered by the employee since he last became a member, plus Past Service rendered continuously since the employee's last date of employment, to his normal retirement date.

New Member:

> Any permanent employee who becomes a member of the Plan after the effective date of the Plan.

It is important to differentiate between employees who are hired after the effective date of the plan and employees who are already in the employ of the municipality on the effective date of the plan. The definition of a "new member" clarifies just whom we are talking about when referring to employees hired after the effective date of the pension ordinance.

This term is used in Sections 3.2, and 8.1 of the model pension ordinance.

3.2) A "new member" will become eligible to participate in the Plan on the first day of the month following, or coinciding with the date of his employment.

8.1) It is contemplated, and all original and "new members" of the Plan shall be deemed to have notice, that the City Commission of this City may in the future decide that it is in the best interests of the City and members of the Plan to modify or terminate Trust Agreements or contracts entered into with an insurance company, or to select another insurance company, trust, or other financial institution, as the depository for pension funds.

Normal Retirement Date:

> The normal retirement date of a member shall be his normal retirement date as determined in accordance with the terms of the Plan.

Normal pension benefits are payable when the member reaches his normal retirement date. This may be at varying ages because employees will be hired at different ages. Section 5.1 contains a schedule listing the normal retirement date for employees dependent upon their age at entry into the retirement plan. This definition avoids confusion on the part of the municipality and covered employees as to when they will retire and be eligible for benefits provided by this ordinance.

This term is used in Sections 3.3, 5.3, 5.4, 5.5(a), 5.5(b), 5.6, 5.7, and 5.8 of the model pension ordinance.

3.3) Creditable service for retirement for the purpose of calculating benefits shall consist of the membership service rendered by the employee since he last became a member, plus

past service rendered continuously since the employee's last date of employment, to his "normal retirement date."

5.3) An employee who does not desire to retire on his "normal retirement date" may make written application to the City Clerk for deferred retirement. In the event of such deferred retirement, the employee, upon retirement, shall receive the same amount of monthly retirement pension that he would have received had he retired on his "normal retirement date."

5.4) An employee who has twenty years of credited service and who has attained a minimum age may make written application for retirement prior to his "normal retirement date."

5.5(a) If a member of the Plan dies or ceases to be a permanent employee prior to his "normal retirement date" and has less than 20 years of credited service, or has not yet attained a certain age, then all rights of the employee in the pension plan will terminate.

5.5(b) If a member of the Plan terminates employment with the City prior to his "normal retirement date" and has completed 20 years or more of credited service and has attained a certain age, then the pension credit earned at termination will be fully credited to the employee. He may, when he reaches his "normal retirement date," make written application to the City Manager for the pension earned, and in such event, he shall be entitled to, and he shall be paid, an annuity computed on the same basis as that of other employees who retire on their "normal retirement date."

5.6) The interest of an employee who dies before his "normal retirement date" will cease.

5.7) If an employee dies after his "normal retirement date" no additional payments will be made unless a retirement annuity option has been elected in which case payments will be made in accordance with the option.

5.8) The member may elect to receive annuity benefits payable under the Plan with the approval of the Commission in the form of a joint and survivor annuity which must be requested by the employee at least three years prior to date of retirement, including retirement prior to "normal retirement date."

Original Member:

> Any permanent employee of the City who becomes a member as of the effective date of the Plan.

It is important to clearly define those employees who are already in the employ of the municipality on the effective date of the plan. The definition of an "original member" clarifies just whom we are talking about when referring to employees who are in the city's employ on the effective date of the pension ordinance.

This term is used in Sections 3.1 and 8.1 of the model pension ordinance.

3.1) "Original members" shall be all full-time, permanent City employees who had not reached age sixty when originally employed by the City.

8.1) It is contemplated, and all "original members" of the Plan shall be deemed to have notice, that the City Commission

of this City may in the future decide that it is in the best interests of the City and the members of the Plan to modify or terminate Trust Agreements or contracts entered into with an insurance company, or other financial institution, as the depository for pension funds.

Past Service:

Service rendered as a full-time permanent employee from January 1, 1960 to the effective date of the Plan.

The pension ordinance gives consideration to employees who are in the employ of the municipality when the retirement plan is established. The financial obligation for this past service credit is assumed by the municipality and discharged by city contributions over a period of years. This past service liability for employee benefits which are payable on account of service rendered for the municipality before the effective date of the retirement plan can be rather large. It is limited in amount by writing a maximum time limit on the credits that may be allowed for past service.

This term is used in Section 3.3 of the model pension ordinance.

3.3) Creditable service for retirement for the purpose of calculating benefits shall consist of the membership service rendered by the employee since he last became a member, plus "Past Service" rendered continuously since the employee's last date of employment, to his normal retirement date.

Permanent Employee:

An employee who has completed his probationary period, been approved for permanent status by the

> department head under whom he is employed, or the City Commission, if approved by it, and has been certified by the City Clerk or City Manager as a permanent employee, or according to the personnel records of the City pertaining to such employee. Certification or approval for permanent status shall be subject to the rules of the career service system of the City of Anytown.

The model ordinance includes all permanent employees in the retirement plan. The above definition very clearly states the conditions that must be satisfied in order for an employee to be certified as permanent. This leaves no doubt in regard to their eligibility for benefits under the pension ordinance.

This term is used in Sections 2.1, 3.1, 3.2, and 5.5(a) of the model pension ordinance.

2.1) A pension and retirement system for full-time "permanent employees" in the service of the City of Anytown, Florida, is hereby established to provide retirement benefits as provided by this Ordinance.

3.1) Original members shall be all full-time, "permanent City employees" who had not reached age sixty when originally employed by the City.

3.2) New, full-time, "permanent City employees" will become eligible to participate in the Plan on the first day of the month following, or coinciding with the date of their employment.

5.5(a) If a member of the Plan dies or ceases to be a "permanent employee" prior to his normal retirement date and has less than 20 years of credited service, or has not yet attained a certain age, all rights of the employee in the pension plan will terminate.

Plan, Pension Plan or Employees' Pension Plan:

The system of retirement benefits provided under this Ordinance.

Use of this definition shortens the wording of the ordinance. We can use the term "plan" rather than Employees' Pension Plan of the City of Anytown, Florida.

This term is used in Sections 4.1, 4.2, 5.5(a), 5.5(b), 5.8, 5.10, 5.11, 5.12, 6.2, 7.1, 7.3, 7.4, 7.5, 7.6, 7.8, 7.9, 7.10, 7.11, 7.12, 7.13, 7.17, 8.1, 8.2, and 9.1 of the model pension ordinance.

4.1) The cost of the "Plan will be borne entirely by the City and by State remittances. Employees will not contribute to the cost of the "Plan."

4.2) The City shall pay into the Fund amounts required to provide the benefits under the "Plan."

5.5(a) If a member of the "Plan" dies or ceases to be a permanent employee prior to his normal retirement date, then under conditions of this subsection, all rights of the employee in the "pension plan" will terminate.

5.5(b) If any member of the "Plan" terminates employment with the City prior to his normal retirement date and has completed 20 years or more of credited service and has attained a certain age, the pension credit earned at termination will be fully credited to the employee.

5.8) The member may elect to receive annuity benefits payable under the "Plan" in the form of a joint and survivor annuity instead of the normal annuity form with the approval of the Commission.

5.10) A separate record of account shall be maintained for each member, which shall show such information as is necessary for an active and comprehensive determination of his status under this "Plan."

5.11) The right of any member or any beneficiary to any benefits under the "Plan" shall be unassignable and not subject to legal process.

5.12) Should any error or change in the records of the "Plan" be discovered, the Council shall have the power to correct such error.

6.2) When any member is inducted or enlists into the military or related service and is subsequently re-employed by the City within 90 days after release from any such service, he shall again become a member of the "Plan."

7.1) The general supervision of the administration of the "Plan" shall be by the Commission.

7.3) This "Plan" or any matter herein may be considered and disposed of at any Commission meeting.

7.4) The Commission by resolution may promulgate written rules and regulations not in conflict with the expressed terms of this Ordinance or the Charter to cover the operation of any phase or part of the "Plan" as provided by this Ordinance. Copies of such rules and regulations shall be furnished to any member of the "Plan" upon request.

7.5) The Commission has the power to interpret the "Plan" and its construction made in good faith shall be final and conclusive upon all parties' interests.

7.6) The Commission shall have the power to select, employ and compensate any agents and employees that they may deem necessary and advisable in the proper and efficient administration of the "Plan."

7.8) The City Clerk or Deputy Clerk shall be Secretary to the Commission under this "Plan."

7.9) It shall be the duty of the Secretary to keep accurate minutes and records of the acts of the Commission under this "Plan" separate and apart from the regular minutes of City Commission meetings. These records shall be available to the public, city officials, and employees under this "Plan" at all times.

7.10) All notices, elections, designations and changes of beneficiaries and similar writings pertaining to the operation of the "Plan" shall be made and preserved in writing on such forms as the Commission may direct.

7.11) The Commission shall have authority to direct that "pension plan" funds be deposited with any financial institution permitted by this Ordinance to provide members and their beneficiaries the benefits provided in accordance with the terms of this "Plan."

7.12) The Trustee or Insurance Company or Companies with which a trust agreement or contract or contracts are entered into for the administration of the "Plan" shall submit a statement of the condition of the funds on deposit to the credit of the "Plan" at least once yearly.

7.13) The Commission shall employ an actuary to review the operation of the "Plan" at intervals of not more than two years, and to make his recommendations to the Commission as to the actuarial solvency of the "Plan," and such other information as the Commission may require.

7.17) Any person having any claim under the "Plan" shall look solely to the assets of the Fund for the satisfaction of such claims.

8.1) It is contemplated, and all original and new members of the "Plan" shall be deemed to have notice that the City Commission may in the future modify agreement or contracts with financial institutions, or select another financial institution as the depository for pension funds.

8.2) The provisions of Florida Statute 185.37 pertaining to termination of the "Plan" and distribution of the Fund are hereby incorporated by reference as the same would apply to the rights of policemen and firemen under the terms of this "Plan."

9.1) Whosoever with intent to deceive shall falsely or cause to commit to be falsified any record comprising any part of the operation or administration of the "Plan" contemplated by this ordinance, shall be punished or fined according to this subsection.

Plan Year:

> A period of twelve consecutive months measured from the effective date of the Plan, or from any anniversary thereof.

It is necessary for the retirement system to maintain orderly financial records based on a predetermined calendar

basis. The above definition determines the basis upon which the financial accounts of the retirement system are maintained.

Retirement:

> Withdrawal from active employment by the City with retirement income granted under the provisions of this Plan.

To avoid confusion on the part of employees, it is important to specifically state the meaning of the word "retirement." As defined in the Ordinance, "retirement" means the termination of employment from the municipality with eligibility for retirement benefits payable from the pension fund.

This term is used in Sections 3.3, 5.1, 5.2, 5.3, 5.4, 5.7, 5.8, and 7.18.

3.3) Creditable Service for "retirement" for the purpose of calculating benefits shall consist of the membership service, plus Past Service rendered continuously by the employee since he last became employed, to his normal retirement date.

5.1) An employee will normally "retire" on the first day of the month following (or coinciding with) the attainment of the ages shown in the schedule contained in this subsection.

5.2) Pension payments will be made monthly beginning with the first month of "retirement" and continuing until death.

5.3) An employee who does not desire to "retire" on his normal retirement date may make written application to the City Clerk or City Manager for delayed "retirement." In the

event of such deferred "retirement" the employee, upon "retirement," shall receive the same amount of monthly retirement pension that he would have received had he "retired" on his normal retirement date.

5.4) An employee who has twenty years of credited service and who has attained a certain age may make written application for early "retirement" to the City Manager. With approval of the City Manager the employee may "retire" on the first day of any month following, or coinciding with, his 60th or 55th birthday, whichever shall be applicable according to this subsection.

5.7) If an employee dies after "retirement" no additional payments will be made unless a retirement annuity option has been selected.

5.8) The joint and survivor annuity election must be requested by the employee at least three years prior to date of "retirement." The election of a joint and survivor annuity shall be deemed to be automatically cancelled in the event of the death of either proposed annuitant prior to the member's actual "retirement."

7.18) Whenever any retirement annuity shall be less than $10.00 per month, the Commission may elect to have payments made quarterly. Such election shall be made within six months after the member's "retirement" unless he consents in writing to a subsequent election by the Commission under this Section.

Retirement Annuity Option:

An optional form of retirement annuity as described in Section 5.8.

If an employee dies after retirement no further payments will be made under the terms of this ordinance unless the employee selects the "retirement annuity option" which is a joint and survivor annuity. This option permits a beneficiary of the member employee to continue to receive his pension benefits after his death.

This term is used in Sections 5.2, 5.7, and 5.8 of the model pension ordinance.

5.2) Pension payments will be made monthly beginning with the first month of retirement and continuing until death, unless a "retirement annuity option" has been elected in which case payments will be made in accordance with the option.

5.7) If an employee dies after retirement no additional payments will be made unless a "retirement annuity option" has been elected in which case payments will be made in accordance with the option.

5.8) The member may elect to receive annuity benefits payable under the Plan with the approval of the Commission in the form of a joint and survivor annuity instead of the normal annuity form. Under the "retirement annuity option," two-thirds of the retirement annuity income continues to the surviving contingent annuitant, until his or her death.

Retirement Income:

> Annual payments for life payable in monthly installments, or the actuarial equivalent paid in lieu thereof, in accordance with the Plan. It is contemplated that separate actuarial tables may be used for male and female employees to reflect the different life expectancies.

Use of this definition shortens the wording of the ordinance. We can use the term "retirement income" rather than a complete description of the monthly payment due to a retired employee member under the retirement plan.

This term is used in Sections 5.8, and 5.9 of the model pension ordinance.

5.8) Under the joint and survivor annuity, two-thirds of the "retirement annuity income" continues to the surviving contingent annuitant, until his or her death.

5.9) An employee who retires before he is entitled to receive monthly benefits under the Federal Social Security System may elect to have his retirement annuity benefits increased before his Social Security benefits begin, and decreased thereafter to obtain, insofar as practical, a level total yearly "retirement income" from the two sources.

Social Security Option:

An optional form of retirement annuity as described in Section 5.9.

The model pension ordinance is designed to supplement the benefits of Social Security with the municipal pension benefits. This option enables a member who retires prior to age 65, or when the employee becomes entitled to Social Security payments, to receive the same retirement benefit throughout his life. At age 65, or when the employee becomes entitled to Social Security payments, the pension benefit would be recalculated and a lower amount of pension benefit would become effective. The reduced amount of retirement annuity after age 65, plus Social Security, would be approximately

the same in value or amount as that provided prior to receipt of Social Security benefits. This option is a simple method to coordinate the benefits of the municipal retirement plan with Federal Social Security as it permits the municipality to operate its retirement program with a minimum degree of dependence upon the Social Security program.

This term is used in Section 5.9 of the model pension ordinance.

5.9) The "Social Security Option" permits an employee who retires before he is entitled to receive monthly benefits under the Social Security System to have his retirement annuity benefits increased before his Social Security benefits begin, and decreased thereafter to obtain, insofar as practical, a level total yearly retirement income from the two sources.

Treasurer:

The Treasurer of the Plan is the City Finance Officer.

Some individual or group will have the responsibility of safeguarding the assets of the pension system. By defining the word "treasurer" we eliminate the need to repeat the complete title of the treasurer for the pension plan assets.

This term is used in Section 4.4 of the model pension ordinance.

4.4) Gifts, bequests, devises, or appropriations to the Fund shall be received by the "Treasurer," who shall be the "Treasurer" for the Council. The "Treasurer" shall be liable for the safekeeping of funds received, and appropriated by the Commission under his bond. The "Treasurer' shall promptly

deposit funds in banks or savings and loan associations designated by the Commission, or transfer to the Trustee or the insurance company all funds received and funds appropriated by the City Commission.

Trustee:

> Any Bank having trust powers which has been designated as Trustee of the Pension Fund by the Commission.

A financial institution shall handle the pension funds as a trustee acting for the Employees' Pension Plan of the City of Anytown. Use of this definition eliminates lengthy descriptions of the exact name of the trustee and permits the City Commission to designate or change the trustee as they see fit to do this under future conditions that may develop.

This term is used in Sections 4.4, 4.5, 7.10, 7.12, and 7.16 of the model pension ordinance.

4.4) The Treasurer shall transfer funds to the "Trustee" or the insurance company as well as deposit funds as promptly as possible.

4.5) All monies paid into and held by the Pension Fund shall be promptly deposited with the "Trustee" or the Insurance Company for the benefit of the Pension Fund according to the terms of a Trust Agreement or contract to be negotiated with the "Trustee" or the Insurance Company.

7.10) Whenever there is any notice, election, designation, complaint, ruling, or other written proceedings relating to a particular employee, the Secretary shall furnish the "Trustee" or the Insurance Company, when necessary, with a copy of same, as well as the employee.

7.12) The "Trustee" or Insurance Company or Companies with which a trust agreement or contract or contracts are entered into for the administration of the Plan shall submit a statement of the condition of the funds on deposit to the credit of the Plan at least once yearly, and may be required to supply copies of such statements to an actuarial consultant designated by the Commission.

7.16) Delayed pension payments, and any other payments to be made out of the Fund, although not paid promptly for any reason, shall not bear interest unless so ordered by the Commission, who shall have discretion to fix the rate and calculate any such interest, and in such event, the interest to be paid shall not exceed the then current rate of interest being returned on the funds on deposit with the "Trustee" or the Insurance Company, or other financial institution.

Establishment of the Pension System

Many cities are given the right by their city charters to establish a pension program by approving it on a local level while other cities must have the approval of the State Legislature. When a city draws up a pension plan and submits it to the Florida Legislature for enactment, this procedure would necessitate the addition of the following sentence:

"Be it enacted by the Legislature of the State of Florida."

The following sentence is then added to the pension ordinance:

This Ordinance shall take effect in accordance with law and the Charter of the City of Anytown, Florida as amended, and shall become effective immediately upon its passage and approval by the Commission.

Passed and adopted by the City Commission of the City of Anytown, Florida on the 4th day of May, 1968.5

_____
Mayor

ATTEST:

_____
City Clerk

Passed on First Reading on the 6th day of April, 1968.

To give the municipality enough time to familiarize its participating employees with the benefits they can expect, it may be good policy for the pension program to take effect sometime after its passage by the City Council. We must remember that the employee's role is primarily passive in determining pension policy--he has a minimum of influence in determining his own pension. The employee selects the benefits that suit him best. The municipality usually makes this decision for him and informs him that at a certain time (or event) in his life, he can expect a certain level of benefits. When the plan is noncontributory, the new employee must generally accept it with his other conditions of employment. The choice for those working at the time the noncontributory pension plan is established is rather academic since

the old employee can choose not to be covered, but in this case he is merely saving the municipality its contribution without improving his personal salary or retirement genefits. "Standing alone, monthly pension payments, compared to wages or salary, are more apt to breed disappointment than satisfaction. The company pension needs to be related to a total plan for retirement. . . ."[6] With a view towards improving employee relations, there are ways of "selling" employees on their pension plan. A descriptive brochure written in a language that they will easily understand is a primary step. Another is intradepartment and municipal-wide meetings with employees to resolve any real or fancied misunderstandings. It would be helpful to have a pension consultant and important department heads in attendance at these open forums. The purpose of these steps is to convince employees (and other interested citizens) that they are going to receive benefits. These benefits, while they are real, may not be apparent to the average working man.

> Ask a wage earner his income, and he's likely to tell you his hourly rate. He forgets what many of us forget--that so-called fringe benefits are also part of his compensation. Fringe benefits (vacations, holidays, group insurance, pensions, etc.) have a definite dollars-and-cents value. So, in a very real sense, they are supplemental wages.[7]

It is not wise psychology to have one's employees feel that a plan has been foisted on them. Since most employees want to believe that they have been consulted before the plan is put into effect, it would be useful to utilize this period of delay between the passage of the ordinance and its effective date as a device to improve employee relations.

NOTES

[1]Section 8.2, Article 8: Chapter II.

[2]The ordinance includes all permanent, full-time employees. The municipality may exclude employees by department or occupation without infringing on the legality of the pension plan.

[3]Bernstein, op. cit., p. 130.

[4]Numbers refer to subsections of Article 1: Chapter II.

[5]Section 13.1, Article 13: Chapter II.

[6]Fred Rudge, "How to Achieve Maximum Return on Pension Costs," Pensions & Profit Sharing (The Bureau of National Affairs, Washington, D.C., 1964), 3rd Ed., p. 263.

[7]Republic Steel Company advertisement, Saturday Review (December 17, 1960), p. 5.

CHAPTER IV

MEMBERSHIP AND SERVICE

Two principal considerations govern who shall be allowed to participate in the municipality's pension plan--personnel policy and cost. In addition, the plan may have to qualify for benefits under Federal and Florida Statutes.

Membership

Membership can be limited by setting eligibility requirements based on service, or age, or both. By eligibility, the writer refers to the conditions that must be fulfilled before an employee may be covered by the pension plan.

> Usually participation in a pension plan is made dependent upon completion of a certain number of years of continuous service, the age of the employee and/or the accumulation of a certain amount of earnings.[1]

Age limits.--A serious problem is determining the maximum age at which a municipality will permit a new employee to participate in its pension plan. The employer must remember that the ultimate cost of the plan is directly affected by the age of current employees and those who will be enrolled in future years. There is a higher cost to fund a pension plan for an older employee than for a younger one. The older man will retire sooner, resulting in benefits being

paid out earlier and, consequently, fewer years in which to build up the fund's assets. It is obvious that when city contributions are made for a comparatively short period of future service, they will not be adequate to build up anything approaching a satisfactory pension for the older employee. Generally, two methods are used to minimize this cost.

1. Specify an upper age limit in the municipality's hiring policy. This would exclude employees for whom the purchase of a pension would be too expensive. Various studies in this area have found that the hiring practices of business firms were definitely affected by their pension plans. For example, John I. Saks, writing in the Monthly Labor Review, notes that "hires of workers aged 45 and over constitute 14 percent of all hires where a plan was in effect, as against 25 percent where there was no coverage."[2] The same study revealed that persons of 45 and over had better chances of finding jobs in firms that had no pension plans, and that companies that provided pension coverage hired workers over age 45 at only one-third the rate of younger job seekers looking for similar work.[3]

2. Set up eligibility conditions that are dependent upon a continuous span of city service and predetermining a required retirement age. This length of service may be from 5 to as high as 35 years. We can see in Section 5.1(a) that in most cases general employees must continuously work for the municipality at least ten years before eligibility for normal retirement.[4]

This problem is somewhat eased when the amount of benefits depend on the number of years of credited service of each individual employee. Usually this service must be continuous--beginning from the last hiring date. Thus, if the employee is fired or quits, he would end his accumulation of credited service. His subsequent rehiring would start his accumulation of pension credits from scratch. This has been accomplished by Section 6.3 of the model pension ordinance.

Re-Employment; No Leave of Absence or Military Service:

> When any former employee of the City is re-employed, and said employee has not been granted a leave of absence, he may receive credit for prior service if and only if (1) the period of prior employment was of at least one year's duration, (2) the City Manager recommends that he be given credit for prior service, and (3) the Commission approves said recommendation.

Prior service credit.-While age limitations can be used to limit costs for future employees to be hired, we can expect to find employees who have been working for the municipality for some period of time when the pension plan is established. If these individuals were to begin their service credit on the effective date of the plan, their retirement benefit may very likely be quite small. The usual solution to this is to grant credit for past service--that is, service before the effective date of the plan. This has been accomplished by including the following in the ordinance:[5]

Creditable Service:

> Creditable Service for retirement for the purpose of calculating benefits shall consist of the membership service rendered by the employee since he last became a member, plus past service rendered continuously since the employee's last date of employment, to his normal retirement date. Any employee will be given credit for

service to the City starting January 1, 1960, or his date of employment, whichever is later.

The main purpose for granting this credit is to enable the older municipal employees to obtain pension benefits that are commensurate with their salary. Since no contributions have been made for their past service, the municipality immediately accrues a liability. This unfunded liability is usually referred to as an actuarial deficiency. This humanitarian goal must be balanced against the costs necessary to make this possible. The more that a municipality gives credit for past service, the more costly will be the plan. There are various methods of limiting these costs.

One of the simplest ways is by giving credit for years of service only after a specified date (or age). This date might be set some five or ten years before the effective date of the plan.[6]

Service Before the Effective Date of the Plan:

No credit will be given general employees for service to the City before January 1, 1960.

Service of Policemen and Firemen Before the Effective Date of the Plan:

Policemen and firemen will be credited with all years of service to the City.

Another simple method is to limit the number of years for which prior service credit is granted. Once these past service costs have been determined by an actuary, the municipality should decide on a plan to pay all of these costs by conferences with their consulting actuary and the City's financial officer.

The State of Florida does require every municipality to establish some program to meet these costs for pension plans

protecting firemen and policemen. The program utilized to amortize the actuarial deficiency is left up to the municipality--depending upon its financial position and income but all pensions for firemen and policemen are required to amortize their actuarial deficiency over a maximum forty year period by the State of Florida. Whatever amortization program is decided, the soundest plan is to have a definite program for contributing to these liabilities, and to depart from this program only when absolutely necessary.

Service

Occupation or position requirement.-As mentioned earlier, the pension can be written to cover all employees, or only certain occupations. Each occupation that will participate should be clearly described and defined. The State "subsidy" for policemen and firemen has not been sufficient to fund their pension programs, so that if occupations which receive no financial aid from the State are included, the proportional cost of the plan will increase. In addition to setting up eligibility requirements based on age, membership can be limited by basing it on occupation. All full-time employees are included in the Model Ordinance.[7]

Original Members:

All full-time, permanent City employees who had not reached age sixty when originally employed by the City.

New Members:

New, full-time, permanent City employees will become eligible to participate in the Plan on the first day of the month following, or coinciding with the date of their employment.

Term of service.-From the municipality's viewpoint, the pension plan should be for permanent employees only. The retirement program's financial costs can be reduced by excluding transient and part-time employees from eligibility. If all permanent full-time employees immediately participate in the plan, even though they may not be eligible for benefits until a number of years pass, reserves and accounts must be set up for some employees who will leave after a relatively short time. The municipality has to balance these bookkeeping expenses against the benefit of reducing employee turnover and improving personnel morale. The pension program should help to stabilize personnel when the new employee has the feeling of belonging to the plan as soon as possible after employment. A study of termination rates for policemen has found that most full-time employees remained on the job to retirement--at least those who were over 25 years old. If we can assume that approximately the same percentage of other municipal employees will remain on their jobs, this would argue strongly in favor of immediately allowing all eligible workers to participate. Every municipality must, however, consider this decision in the light of its own personnel experience and employment practices. This period of probation can be accomplished when defining permanent employees.[8]

Permanent Employee:

> An employee who has completed his probationary period, been approved for permanent status by the department head under whom he is employed, or the City Commission, if approved by it, and has been certified by the City Clerk or City Manager as a permanent employee, or according to the personnel records of the City pertaining to such employee. Certification or

approval for permanent status shall be subject to the rules of the career service system of the City of Anytown.

TABLE 4

AGGREGATE TERMINATION RATES (RAW DATA) FLORIDA MUNICIPAL POLICE PENSION FUNDS
5 Year Study 1958 - 1963

Attained Age	Study Results	Wyatt Table
22	14.1%	12.5%
25	7.6	8.9
30	3.7	4.4
34	2.9	2.0
40	0.8	0.0
45	0.8	0.0
51	0.8	0.0
55	0.2	0.0
66	0.2	0.0
70	0.1	0.0
over 70	0.0	0.0

Source: John S. Ripandelli, Interoffice Memo to Harry Boggs, June 14, 1965.

Consequently, the municipality, after deciding to make an employee permanent, will automatically include him in the pension plan.

In summary, it is important that the plan be quite specific in defining credited service, since length of service is one factor used when determining pension benefits. The attainment of a certain age and a minimum period of municipal service both serve to encourage and reward long employment service, but these eligibility conditions are primarily used to provide reasonable limits on the cost of the plan, because employees will achieve their pension eligibility only when they reach retirement age and have the requisite years of service with the municipality.

NOTES

[1]Harbrecht, op. cit., p. 51.

[2]Saks, op. cit., p. 21.

[3]Ibid., p. 20.

[4]Article 5, Section 5.1(a): Chapter II.

[5]Article 3, Section 3.3: Chapter II.

[6]Article 3, Sections 3.4, 3.5: Chapter II.

[7]Article 3, Section 3.1, 3.2: Chapter II.

[8]Article 1, Section 1.21: Chapter II.

CHAPTER V

CONTRIBUTIONS AND FUNDING

It is a serious financial decision to enter into an employee pension program. Certainly, the prime essential to success is that the cost of the plan should be well within the amount of money that the municipality can afford. It may be much wiser to begin with as simple a plan as the municipality can afford to maintain as benefits can always be increased and elaborated at a future date. The financial advisor can suggest the maximum annual outlay that a municipality can afford. An actuary can then determine the approximate benefits that can be provided to those employees who will be members of the plan.

Funding

A sum of money has to be budgeted or accumulated to provide the benefits of a pension program. These financial arrangements are usually referred to as funding methods. The goal of the funding process is to accumulate sufficient assets to satisfy the liabilities of the pension plan.

"The ultimate true cost of a pension plan is in no way affected by the choice of funding method. Yet, the funding method determines how much of the ultimate cost of a plan is

to be met during any particular period of time."[1] The State of Florida requires a municipality to accumulate sufficient assets for all benefits credited to firemen and policemen subsequent to the effective date of the plan, and over a maximum forty-year period, to equal the present value of all benefits credited for past service--that is, service prior to the effective date of the plan. Therefore, a Florida municipality must use the advance funding technique in order to receive the insurance premium tax subsidy from the State.

Advance funding.-Plans which follow this approach annually set aside enough funds to pay benefits that have been credited during that year. In addition, a small part of their past service liability is paid into the fund so that all obligations will be completely funded no later than forty years from the effective date of the pension ordinance.

According to Dan M. McGill, ". . .the concept of advance funding is based on the assumption that the pension plan will eventually terminate. If it could be assumed that a plan would continue in perpetuity, no reserves would be necessary. Under the advance funding scheme, however, all employees, active and retired, enjoy the added measure of security afforded by a segregated fund dedicated to the payment of their retirement benefits. If the plan is fully funded, on the basis of conservative assumptions, all benefits which have accrued as of a particular time can be paid without further contributions from the employer."[2]

Cost of the Plan

For any given schedule of retirement benefits, the cost of a plan depends on many factors, principal among these factors is the number of employees who will become eligible for benefits.

The exact amount that is to be contributed to the retirement program can be determined in advance by an independent actuary retained by the municipality. When determining cost, the actuary considers interest, turnover, pre-retirement and post-retirement mortality. He has the training to suggest the amounts which will be adequate to meet valid claims in the normal course of the pension plan as they come due--in advance! According to Merton C. Bernstein: "Actuaries are 'naturally' inclined to assumptions which will avoid understating expected costs or required contributions." He concludes: "This propensity toward low turnover, low interest rate, high cost estimates may not be universal, but, judging from what actuaries write and tell me, it probably is more common than not."[3] This attitude may be sound because being conservative insures that assets will be adequate when they are needed. It is not the purpose of this dissertation to present actuarial tables nor to attempt any predictions relating to the actuary's duties. However, a simplified explanation of assumptions will enable the municipal reader to better discuss its particular problem with an actuary.

Turnover.-The actuary must estimate the employee turnover. This severance from employment before reaching benefit

eligibility reduces the number of individuals who will eventually receive benefits. Employees are hired, they are laid off, they quit, they die, they become disabled. If replacements are hired, the new employees then may be laid off, may quit, etc.

The previous chapter outlined a method of determining eligibility for benefits which required that an employee attain a specific age and/or a specified number of years of credited service. Consequently, the larger the employee turnover, the lower should be the actual cost of the plan. Plain observation of personnel records will show that very young employees have the highest group rate of turnover. This is logical when we realize that they have almost no seniority, a comparative lack of skill, and no real certainty as to their lifetime occupation. Also, the first year of employment produces the highest turnover rate of any employment period. There are many reasons why a recently hired individual may become dissatisfied with his new job. With every successive year of employment, the turnover rate tends to diminish steadily. It is difficult to predict this rate, as it is dependent upon the selectivity of the municipality and the employee at the time of hiring. We can logically assume that, with the development of job experience and seniority, the longer an employee is working at the same occupation, the greater are his chances of not quitting or being fired. In addition, sex affects turnover, since men ordinarily do not leave their work because of marriage, or family reasons. Women may leave for these reasons, or because of pregnancy.

Because of the aforementioned reasons actuaries use separate turnover tables for men and for women. Each category is broken down by age groups and further subdivided by length of service. To oversimplify this matter--high, medium, and low turnover rates are assumed to fix the characteristics of the occupation. The mathematics of these tables is precise, but it is based on numerous assumptions. The actuary (no matter how experienced) must utilize his experience and judgment in constructing and adapting these tables to the situation in the individual municipality. These assumptions, and perhaps city contributions, should be reviewed periodically with the intent of closing the gap between previous estimates and true experience of the group. When one estimates costs, turnover is discounted in determining contribution rates for a noninsured plan. Insured plans generally assume that all participants will qualify. As turnover does occur, most of the amounts contributed for those ineligible employees are credited to the municipality's future premiums.

Mortality.-Mortality tables are derived from verifiable experience. In the absence of survivor's benefits, retirement plans pay benefits only while the retiree is alive--from the time he becomes eligible for these benefits. While statistics vary on the major reasons for an employee's not reaching retirement age with any one employer, most experts agree that a major reason is death. Dead men do not retire, but their dependents do live on. Many observers feel that the

integration of Social Security would at least provide some benefits to these dependents. "Disability coverage and insurance for dependents should be covered by Social Security wherever possible."[4] "Social Security should clearly be included, and all of the towns should adopt Social Security if they do not already have it."[5] When Social Security is not provided, it remains the responsibility of the pension plan to provide some benefits to dependent survivors.

Contributions

At this time, the legal place of employer contributions is open to debate. "It remains for the courts to recognize in pension cases that plan contributions are a kind of compensation."[6] The municipality can either pay the entire cost of the pension plan or share the cost by having eligible employees contribute to it. This decision involves two problems:

A) What factors are important in deciding whether the plan should be contributory? and

B) If the plan is to be contributory, what amount should be fixed as employee contributions?

Should the plan be contributory?-Employee contributions can be used to reduce the cost of the plan to the municipality. Alternatively, these additional contributions can be used to increase employee benefits. Employees do not suffer a financial loss by making contributions, since they are entitled to a full refund of all contributions (usually with interest)--either in cash or as retirement benefits. The contributing employee's problem is increased when we observe the typical

deductions from his payroll: withholding taxes, Social Security, group life insurance, group hospitalization, etc. Historically, employers held the view that pensions should be contributory--so that employees would be aware of the factors of cost. "... In state and city funds contributory plans are much more common, and fund inflows from government and employees are nearly equal."[7] It would appear that any municipality having a fixed scale of benefits may have its pension plan costs reduced through employee contributions. But, many employees, particularly those in lower salary brackets, simply cannot afford additional deductions regardless of any additional benefits that they may obtain through contributions. Harry Boggs, the Director of the State of Florida Municipal Police Officers' and Fireman's Retirement Trust Funds, discussed four reasons for a contributory pension plan.

A) A contributory plan brings about an increase in employee benefits.

B) A plan sustained only by city contributions generally gives minimal benefits--it doesn't provide the employee with enough income to retire.

C) Contributions from employees would increase benefits because of earnings on earnings.

D) In a contributory plan, employees participate in discussions, they are aware of pension problems and are concerned with the success of the retirement system.[8]

Many pension experts view a municipality's contributions as an amount that employees would otherwise receive as a cash wage or another fringe benefit. These experts would agree with this writer that in most cases, employer contributions probably do not involve any additional cost to the basic

amount that would otherwise be payable for salary. "In 1949, the Basic Steel Industry Fact Finding Board recommend non-contributory plans because, among other considerations, each dollar of tax-deductible employer contributions would result in more benefits than employee dollars which would first be taxed as income, and then, after subtraction of taxes, contributed."[9]

Contributory plans can be changed to noncontributory plans by reducing an employee's wages exactly equal to his pension contribution. By having the municipality assume an employee's pension contribution each covered employee can be given a "raise" equal to the federal income tax that he previously paid on his pension contribution. Conversion to a noncontributory plan means an increase in take-home pay without an increase in employee income tax and, as a result, a raise which probably costs the municipality less than an equivalent taxable wage increase. This is possible because employee contributions come from after-tax dollars, and employer contributions are free of income taxes, therefore there would seem to be little argument in favor of contributory plans. To quote William G. Muir, "Again as a generality I believe over the long run all pension plans should be non-contributory. Employee contributions, particularly with the extremely high level of employee contributions required for Social Security, are burdensome on the lower paid people. Obviously, they are made with after-tax money wherein the employer contribution is before taxes. I think it is fallacious to reason that making employees contribute to a plan heightens

their interest in said plan. Effective employee communications and selling of the plan to the employees will do far more to make them aware of it on a positive basis than will enforced contributions."[10]

Until the Federal Government accepts the thesis that all or part of employer contributions to noncontributory plans are a form of wages, one argument in favor of contributory plans still has validity. When an employee receives his retirement income, that portion of his benefits which are attributed to the municipality's contributions will be subject to income tax. While it is impossible to generalize on the tax savings that would result from a shift in contributions from employee to employer, the retiree, having a lower income (and double exemption if he is over 65), should pay either no tax or be taxed less than he was during his working years. Probably, the majority of municipal employees over 65 are in the non-taxpaying category. The actual savings affected would also depend upon the federal tax rates in force when pension benefits are received. The 1964-65-66 tendency is toward reduced rates--hence, postponing taxes to future years would probably represent a greater saving.

At present, there are savings to employees through noncontributory plans. However, the savings may be negligible and can be more than cancelled out by a loss of all municipal contributions if the employee leaves his job without the protection of vesting provisions.

Unless vesting provisions give an employee credit for part of the municipal employer's contributions (in a non-contributory plan), the loss of this credit may cancel out the extra tax paid by an employee on his contributions to a contributory plan. In the absence of more liberal vesting provisions, the duty of protecting employees falls on the shoulders of the Federal Government. It has been suggested that a limited amount of employee contributions be deductible when calculating personal income tax. This can be legalized by Congress declaring all or a percentage of compulsory employee contributions to be non-taxable income. According to Merton Bernstein, in 1961 this would have resulted in a revenue loss of less than $200 million; this is not a formidable amount of federal revenue.[11]

If a plan is to be contributory, then the municipality must decide on the amount of funds that each employee will contribute to the pension. This amount is generally stated as a percentage of covered salary with some or no maximum ceiling placed on the contributions.

In summary, it would be best for the municipality to be reasonably sure that it will be able to meet the costs of the plan without going to the employees in the future and asking for contributions. A request for contributions or an increase in employee contributions may lead to employee discontent, and to increased political problems when the situation of "improper" funding becomes advertised to the local voters.

For a new pension program, the noncontributory plan can result in more funds being accumulated for employee's benefits. "On the other hand, however, one must admit that without much question, taxpayer acceptance of the plan is likely to be more enthusiastic if the employees do contribute."[12] In the noncontributory plan, it is not only the annual personal income tax saved, but also the incremental earnings on these funds over the years that make these savings quite substantial. Contributory plans already in existence can switch to noncontributory plans when increasing the salary of their employees. In lieu of a pay raise equal to pension contributions, the municipality can assume all contributions to the plan, thereby eliminating employee contributions completely.

It would seem reasonable to utilize employee contributions by providing additional benefits to married employees. The plan might offer widows' or children's benefits on a contributory basis. This would partially remove some objections to inequality of treatment between single and married employees.

NOTES

[1]Dan M. McGill, Fundamentals of Private Pensions (Richard D. Irwin, Inc., Homewood, Illinois, 1955), p. 126.

[2]Ibid., p. 132.

[3]Bernstein, op. cit., p. 43.

[4]Statement by Harry Boggs, Director, State of Florida Municipal Police Officers' and Fireman's Retirement Trust Funds, personal interview June 22, 1965.

[5]Letter from William G. Muir, Supervisor, Connecticut General Life Insurance Company, September 27, 1965.

[6]Bernstein, op. cit., p. 118.

[7]Victor L. Andrews, "Noninsured Corporate and State and Local Government Retirement Funds in the Financial Structure," Private Capital Markets (Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1964), p. 423.

[8]Statement by Harry Boggs.

[9]Bernstein, op. cit., p. 217, quoting Basic Steel Industry, 13 Lab. Arb. 46 (1949), p. 90.

[10]Letter from William G. Muir.

[11]Bernstein, op. cit., p. 219.

[12]Letter from William G. Muir.

CHAPTER VI

RETIREMENT AND RETIREMENT BENEFITS

It is the purpose of this chapter to outline the benefit patterns of pension plans, indicating the various arrangements and combinations that are generally available. "The benefit provisions of a pension plan constitute the very heart of the plan. They define the type of benefits that will be paid, the size of the benefits that will be paid, the circumstances under which they will become payable, and the manner in which they will be paid."[1]

The purpose of the pension plan is to enable the municipality to remove aged employees from the payroll in a morally and socially acceptable manner. The continuation of an income that will be large enough to sustain the retiree and his dependents on a decent standard of living is basic to this objective.

It is extremely expensive to provide retirement benefits that are the continuation, in full, of a worker's salary at the time of his retirement. As a practical matter, the objective should be, rather, to provide retirement benefits that bear a reasonable relationship to the salary which was earned by the employee during his years of employment. According to Dan McGill, most pension experts regard a plan

that when added to Social Security will replace one-third to one-half of the employee's average earnings during the five or ten years preceding retirement as reasonably adequate.[2] This author agrees with William G. Muir that an ideal retirement income should replace 50 to 60 percent of the employee's average earnings during his last five or ten years before retirement.[3]

Many benefit formulas can be used when drawing up a pension plan. Whatever benefit schedule is selected, the formula for computing the retirement benefit should be simple and understandable to the average employee.

Retirement Benefits

Money purchase plan.-Using this formula, we base the retirement income upon the contributions accumulated to an employee's credit when he retires. The rates of contribution by the municipality--and the employee, if the plan is contributory--are fixed at a level that will result in an amount, at an assumed rate of interest, sufficient to provide a desired retirement income at the employee's normal retirement age. Since the accumulation which produced the pension will have been derived from contributions made as a percentage of an employee's earnings, the retirement benefit is related to a worker's earning during the entire period of his service. The contribution is fixed and the retirement benefit is treated as the variable factor.

In most money purchase plans, the municipal employer matches the employee's contribution. A typical plan might

provide for a 5 percent contribution on the part of both employer and employee. With the advantage of fixed contributions, the money purchase formula is attractive because it simplifies the budgeting of funds for the municipality. The city knows in advance what its outlay for pensions will be by multiplying its projected payroll by the appropriate percentage. Many employees may not be able to determine for themselves the amount of their retirement benefit because these employees would be required to compute their benefits with the use of a table of annuities and accumulated contributions.

Fixed benefit plan.-Another formula is to compute the employee's retirement benefit as a percentage of the average salary multiplied by years of service.[4]

Normal Retirement:

> The monthly pension for policemen and firemen is 1 percent of average monthly earnings, during the last ten years of service, for every year of credited service.

Under this method, the municipality--and employee, if he is a contributor--pay in for the retirement benefit in previously agreed-upon proportions. There are many variations of this plan, but generally the retirement benefits are determined in advance by a formula and the contributions are treated as the variable factor. Even though we find little uniformity among the fixed benefit formulas, they can be broadly classified into the following categories:

A) Benefits not related to earnings or service. This type of formula provides a flat benefit to the employee who

retires with a specified period of credited service. No benefit is paid unless the employee has accumulated a minimum period of credited service, typically fifteen to twenty years. In most cases, this benefit includes the primary Social Security benefit. An employee who has credited service above the minimum but falls short of the basic requirements receives a retirement benefit that is adjusted to his credited service. "The basic formula of this type provides $100 per month after 25 years of service but a few plans pay $125."[5]

B) Benefits related to earnings but not to service. Service is not ignored, because entitlement to benefits is based on a minimum period of service, generally twenty years. The philosophy is that those workers who remain with the municipality for twenty years, or whatever is the minimum period, are entitled to the same consideration as those who served for a longer period. The salary base is normally the salary at retirement, but a career average may be used. "A wide range of percentages is found. The distinctive feature of the plan is that the percentage is flat and does not vary with years of service."[6] Generally, the longer service employee tends to have an earnings base that is higher than one who barely qualifies for benefits.

C) Benefits related to service but not to earnings.

Normal Retirement:

The monthly pension for general employees is $2.00 for every year of credited service.[7]

This type of plan is popular in pensions negotiated between private corporations and unions. Prior service is credited with the same benefits as future service. The General Motors Corporation Pension Plan uses this formula.[8]

> . . .the minimum monthly pension payable to any such pensioner, including the Primary Insurance Benefit payable under the Federal Social Security Act as determined in Article IV, shall be $4 for each year of credited service to a maximum of 25 years.
>
> The monthly pension payable to an employee who is retired pursuant to the provisions of Section 1 (a) of this Article II with benefits payable commencing on or after September 1, 1958, shall be:
>
> (1) $2.40 for each year of credited service prior to January 1, 1958;
> (2) $2.43 multiplied by credited service accrued in the year 1958; and
> (3) $2.50 for each year of credited service accrued subsequent to December 31, 1958.

D) Benefits related to earnings and service. This type of plan provides a larger benefit at retirement for an employee with a long period of service than to the employee with a limited or short period of service. A careful definition of average earnings and "credited service" is important for the purpose of computing the benefit formula.[9] The formula in such a plan credits each employee at retirement with a benefit equal to a specified percentage of average monthly earnings multiplied by the number of years of credited service. Section 5.1(b) of the Model Ordinance in Chapter II suggests 1 percent. It is assumed that these earnings are subject to OASDI, but for municipalities that do not participate in Social Security, a percentage rate of 1.67 percent can be used to produce approximately the same retirement benefit.

A significant number of pension plans do not use a career average formula probably because use of the final average

type of formula produces an earnings base that is higher than that of the career average. Since the long run trend of prices and wages in the United States has been upward, use of the final average appears to be a partial hedge against the effects of inflation. We should not overlook the fact that a majority of pension plans give some recognition for prior service. Various forms of limitations can be used to limit the cost of prior service benefits--an accrued liability borne by the municipality. The most common limitation is to exclude all service over a maximum number of years.[10]

Service Before the Effective Date of the Plan:

> No credit will be given general employees for service to the city before January 1, 1960.

In many instances coordination of Social Security benefits with a retirement plan offers a practical means of providing retirement benefits that are more adequate for all employee classes--particularly those at the lower salary levels. Municipalities are resorting to this arrangement to augment their retirement benefits. In addition, Social Security does provide benefits to widows and orphans and affords some income to disabled employees. "Social Security should clearly be included, and all of the towns should adopt Social Security if they do not already have it."[11]

Retirement

The conditions for retirement are the attainment of a certain minimum age, the completion of a certain period of service, or the combination of age and service. Retirement

benefits should be viewed primarily as a provision for old age and not as a reward for services rendered to the municipality. For this reason, employees should not be permitted to retire after a fixed period of service regardless of their age.[12]

Normal retirement.-The normal retirement age is the earliest age when eligible employees are permitted to retire with their full benefits. Generally, the normal retirement age is the automatic retirement age, unless employees have the option of continuing their employment beyond the age designated as normal retirement age. It is not easy to determine the age at which the services of employees would be uneconomical. For instance, policemen and firemen may pass the stage of reasonable efficiency for their work at an earlier age than general employees. In addition, normal retirement age might vary in specific towns in Florida. For example, the police and fire departments of a city such as St. Petersburg could quite realistically work until attaining older ages than the police and fire departments of Jacksonville. The larger city with higher buildings and possibly a different type of demand on the police force might retire these employees at an earlier age. It is generally agreed that chronological age and ability to perform are not necessarily related. Therefore, to make allowance for these employees, the plan should permit extensions beyond the compulsory retirement age upon permission of the City Manager.[13] In the opinion of one pension expert, the normal retirement age for policemen and firemen should

be no higher than 60, while general employees can retire at 65.[14] There is a major cost factor involved in the decision to retire employees at ages lower than 65. Harry Boggs, Director of the State of Florida Municipal Police Officers and Firemen's Retirement Trust Funds, informed this writer that less than 2 percent of policemen are at work after age 60. Those employed are mostly higher salaried administrative personnel. Mr. Boggs suggested that a provision be placed in the pension ordinance permitting employees to work beyond their compulsory retirement age with permission of their employer, and fixing retirement benefits to those obtainable at normal retirement age.[15]

Early retirement.-This provision establishes a minimum age at which employees may voluntarily retire. In many plans, this is about five years below the normal retirement age. A provision for early retirement is essential to provide flexibility to the retirement program. A provision that permits early retirement at the option of the employee generally imposes both age and service requirements.[16] The benefit received by an employee is less than the retirement benefit that would have been paid at normal retirement age.

Retirement Prior to Normal Retirement Date:

> An employee shall be entitled to and shall be paid an annuity equal in amount to the annuity computed on the basis of normal retirement, except that the amount so computed shall be reduced by five-twelfths of one percent of said amount for each month that early retirement precedes his 65th birthday for general employees or his 60th birthday for policemen and firemen.[17]

TABLE 5

PROPORTION OF NORMAL RETIREMENT INCOME AVAILABLE IN EVENT OF EARLY RETIREMENT AT VARIOUS AGES

Age at Early Retirement	Normal Retirement Age 65	
	Male Employees	Female Employees
64	90.6%	92.1%
63	82.5	85.0
62	75.3	78.7
61	68.9	73.0
60	63.3	67.9
59	58.3	63.2
58	53.8	59.0
57	49.8	55.2
56	46.2	51.7
55	42.9	48.6

Source: McGill, op. cit., p. 51.

The percentages shown in Table 5 are applied to the annuity credits earned by the employee to the date of his early retirement and not to the retirement benefits that would be received by the employee if he continued working to age 65. At age 65, females have a longer life expectancy than males, and this fact is shown in the table by the smaller effect, percentage-wise, on early retirement benefits of a female employee than the early retirement of a male employee. One can see that retirement at 55 results in a benefit of less than half of the normal retirement benefit. Because of this, it is suggested that a pension prohibit retirement earlier than five years prior to the normal retirement age.[18]

Retirement Prior to Normal Retirement Date:

A general employee who has twenty years of credited service and has attained his 60th birthday may make written application for early retirement to the City

Manager. A fireman or policeman who has twenty years of credited service and has attained his 55th birthday may make written application to the City Manager for early retirement. With approval of the City Manager the employee may retire on the first day of any month following, or coinciding with, his 60th or 55th birthday, whichever shall be applicable as stated above.

Delayed retirement.-In many plans provisions are made under which an employee may continue in city service beyond the normal retirement age.[19] It should be clarified that although an employee may retire at his normal retirement age, this provision permits him to continue his employment after that date only with his consent and with the approval of the City Manager. This provision is financially beneficial to the employer and employee as the municipality saves the payments which would have been made from the employee's normal retirement age to the actual date of his retirement while enjoying the services of a valuable employee. We can assume that the employee requests to continue in municipal service because his full salary is more attractive to him than his retirement benefits.

Termination Benefits

Every municipality must recognize the fact that only a percentage of employees who work for the city will remain on the job until retirement. Therefore, it is necessary for the pension ordinance to outline the rights of those employees who sever their connection with the municipality before reaching retirement age. Today, employers view retirement plans as a method for increasing the efficiency of their employee's service. Since the municipality's contributions can be

regarded as a necessary part of the current payroll, this recognition leads to the vesting of rights and benefits so that employees who work relatively short periods of time may accumulate pension benefits. By vesting, we mean the interest of an employee member in all or part of the contributions made by the municipality. This interest is usually guaranteed as an annuity payable at normal retirement age.[20] Employees are always permitted to recover the contributions that they have personally made toward their own retirement pensions. "I conclude, therefore, that the right of employees to the return or the value of their contributions is a minimum right which cannot be taken away by legislative action in any jurisdiction."[21] Court decisions in Florida adhere to the rule that pensions are a gratuity and may be modified or terminated prior to retirement.[22] The term vesting refers only to the employee's rights to retain the benefits which have accrued from the municipality's contributions. This may be either legal vesting or functional vesting. Legal vesting would place an undeniable guaranteed legal right to the employer's contributions in the employee for the earned and accrued pension expectancies of the member. Functional vesting refers to a provision in the retirement plan which permits the employee to exercise his rights after a specified period of service (or under certain circumstances), usually only in the case of withdrawal.[23] These rights become available to members in the form of a deferred annuity payable upon the attainment of the age specified for normal retirement. Usually

a minimum period of service, such as ten, or twenty years, is prescribed as a condition to be fulfilled by the employee before the vested rights become effective. The inclusion of any substantial vesting provision in a pension plan increases the cost to the municipality; therefore, a minimum amount of service should be required.[24]

Termination of Service Prior to Normal Retirement:

> If any member of the plan terminates employment with the city prior to his normal retirement date and has completed twenty years or more of credited service and has attained the age of 55 years or greater in the case of general employees, or 50 years or greater in the case of policemen and firemen, the pension credit earned at termination will be fully credited to the employee.

In summary, vesting rights are usually conditioned on service or some combination of service and age. "Full, immediate vesting is extremely rare."[25] For the municipality, the purpose of these vesting conditions is to keep the cost of financing the retirement program from becoming unreasonably high in addition to being a useful device to counteract labor mobility. The labor unions have the following opinion of granting vesting only after some long period of employment:

> The lack of vesting gives the employer a sort of invisible chain with which to tie workers to their jobs with a particular company, and to prevent them from bettering themselves elsewhere, through the promise of a pension plan if they stay and the threat of its loss if they leave.[26]

"Probably most vesting provisions apply to any separation for any cause. Some, however, do restrict vesting rights to those who lose their jobs involuntarily."[27]

Article 5 of the Model Ordinance requires a minimum of twenty years of credited service plus the attainment of age

55 in the case of general employees, or age 50 in the case of policemen and firemen in an effort to partially satisfy employee mobility vs. stability. Inasmuch as there is more to be gained under this provision by staying with the municipality, vesting partly serves the employer's purpose of stability while satisfying, at least in part, the employee's rights to pension credits that he has earned--should he change jobs. A glance at Table 4 revcals that the prospect of receiving vested benefits under the conditions of the Model Ordinance would seem to be extremely high. Among the group of police officers hired at age 25, only 80 percent are expected to be separated before completing twenty years of continuous credited service.

According to Merton C. Bernstein, the absence of official demands for the legislation of compulsory vesting leads to the conclusion that compulsory vesting is not a serious possibility in the foreseeable future.[28] Whether the result of Federal prodding, or moral and social responsibility, pension authorities have increased vesting benefits voluntarily within the past ten years. "Successive studies made by the Bankers Trust Company of the large number of pension accounts they handle reveal a consistent trend toward liberalization of pension provisions."[29]

NOTES

[1]Dan M. McGill, Fundamentals of Private Pensions (Richard D. Irwin, Inc., Homewood, Illinois, 1955), p. 34.

[2]McGill, op. cit., p. 35.

[3]Letter from William G. Muir.

[4]Article 5, Section 5.1(b), Chapter II.

[5]McGill, op. cit., p. 41.

[6]Ibid., p. 40.

[7]Article 5, Section 5.1(a), Chapter II.

[8]Harbrecht, op. cit., p. 292, reproducing The General Motors Hourly Rate Employees Pension Plan, Article II, Section 1(b).

[9]Article 1, Section 1.9, Chapter II.

[10]Article 3, Section 3.4, Chapter II.

[11]Letter from William G. Muir.

[12]Article 5, Section 5.1, Chapter II.

[13]Article 5, Section 5.3, Chapter II.

[14]Statement by Harry Boggs.

[15]Ibid.

[16]Article 5, Section 5.4, Chapter II.

[17]Article 5, Section 5.4, Chapter II.

[18]Article 5, Section 5.4, Chapter II.

[19]Article 5, Section 5.3, Chapter II.

[20]Article 5, Section 5.5(b), Chapter II.

[21]John J. Edman, "Contractual Rights in Public Pensions," Public Employee Retirement Administration (Municipal Finance Officers Association, Chicago, 1965), Papers Delivered During 59th Annual MFOA Conference--1965, p. 12.

[22]Ibid., pp. 11, 12.
Ball v The Board of Trustees, 71 N.J.L. 710, 58 ATL. 111 (1904) is the leading case followed in Florida. The result of this development is that there is no restriction upon modification of pension statutes in respect to those employees covered on a compulsory basis but as to employees electing pension coverage there can be no change.

[23]Article 5, Section 5.5(b), Chapter II.

[24]Article 5, Section 5.5(b), Chapter II.

[25]McGill, op. cit., p. 59.

[26]"Pension Plans Under Collective Bargaining, a Reference Guide for Trade Unions," American Federation of Labor (no date), p. 70.

[27]Bernstein, op. cit., p. 26.

[28]Ibid., p. 259.

[29]Harbrecht, op. cit., p. 78.

CHAPTER VII

CHOICE OF FUNDING MEDIUM

This chapter will briefly describe the legal arrangements under which a pension plan may provide the retirement benefits to eligible employees. These forms can be broadly classified as insured, or self-administered. There are various combinations of these two classifications--partially insured and partially self-administered. Although the type of funding media may have a definite effect on the initial outlay, ultimate cost should not vary significantly in the long run. Over a number of years, the cost of any pension plan will equal the benefits paid, plus the expenses incurred, less the interest earned. Before a choice is made as to type of funding, the objectives and main provisions of the pension plan should be firmly decided. Every pertinent aspect of a municipality's financial position and desires should be completely analyzed, as all of these facts do have a definite bearing on the most efficient and effective manner of funding. Because it is not our intention to write an insurance manual, only the essential features of these funding media will be discussed in this chapter.

The municipality can accomplish the primary purpose of its pension program (to provide for the future security of

employees) by achieving the following two objectives:

A) To provide a definite lifetime benefit that usually depends upon the employee's compensation, length of service, and age.

B) Earmarking contributions to the plan that will be actuarially sufficient to provide the planned benefits to employees.

As the State of Florida will not share premium tax monies with municipalities unless their plans for firemen and policemen are adequately funded, it would be nonsense to think about a pension that was not actuarially sound. An accepted definition of a funded pension plan is one ". . . under which adequate contributions made by the employer (employees too, if the plan is contributory) must be deposited in a trust, or with an insurance company, under some type of contract arrangement."[1]

This leads the municipality into the broad question of whether to fund its particular pension program by means of an insurance company, or to administer it as a pension trust in which an independent board of trustees manages the fund. By way of explaining the difference, the uninsured self-administered pension plan uses a trust. The municipality (and perhaps the employees), make contributions to this trust. The trustee then invests these funds or contributions as the trust agreement prescribes.[2] It is the income and accumulations of the corpus that are used to make the pension payments. The trustee pays these benefits directly or may use the accumulated funds to buy annuities from a life insurance company.

If annuities are purchased, the insurance company would then make payments to the retired employees. Pension authorities refer to this type of plan as uninsured to distinguish it from the types of plans in which insurance contracts are immediately purchased from a life insurance company.

Uninsured, Self-Administered Pension Trust

A properly funded "uninsured" pension trust is not accurately described by this term, because the plan is as sound as any "insured" type of plan. The retirement benefits are in relation to the contributions according to actuarial principles which are the same general methods that are used by insurance companies. To clarify this statement, let us assume that a municipal employee, J. B., is 35 years old. The city wants to provide him with a monthly life income of $100 at retirement. The trustee has two alternatives.

A) When J. B. reaches the retirement age of 65, the trust can purchase an annuity for him with the accumulations in the fund. At that time a life insurance company will furnish an annuity paying $100 a month for about $15,000.

B) When J. B. reaches the retirement age of 65, the trust can pay him $100 per month for life directly from the accumulations in the pension fund.

Under both alternatives, the trust must accumulate about $15,000 over a period of thirty years. Omitting interest to be earned on the accumulating fund, death before retirement, and termination of employment for some employees,

then $500 should be contributed each year for the retirement benefit of J. B. Under alternative B, the municipality and its trustee are assuming the functions of the insurance company. In reality, the municipality is a self-insurer and from this point of view the pension fund is insured.

No plan administers itself; therefore, the term "self-administered" is not an accurate description as a self-administered pension trust is administered by the municipality through its Board of Trustees. It is the municipality's job to attempt to make the retirement benefits available when due.

> The security of a pension expectation under a noninsured plan thus depends on the solvency of the pension trust. And this, in turn, will depend upon whether or not the pension trust has been fully funded and well administered during the active employment of the pensioner.[3]

Some state and local plans are insured, but the majority are operated and administered by the governmental unit involved.[4] Thus, most plans cannot be drastically changed to adjust to immediate problems because long term funding requires planning and contributions far in advance of actual needs. These financial operations are so complex that many trained actuaries and accountants find it difficult to agree on a proper assessment of liabilities and reserves. To oversimplify the problem that an actuary faces, refer to the imaginary employee J. B. It was previously assumed that $500 should be deposited annually on behalf of J. B. When we relax our assumptions of interest, death, and termination, this annual deposit will be reduced. Assuming a very conservative

interest rate that will be received on the accumulating fund, this might reduce the required annual contributions to around $400. Additionally, there will be some employees who will not receive any retirement benefits, either because of death or severance. Since these employees will never receive retirement benefits, no funds need be accumulated for all eligible employees. Therefore, the municipality may ultimately have to set aside only $250 per year on behalf of J. B. after taking into account the factors of mortality, interest, and severance.

Under an uninsured pension trust, the funds are turned over to a trustee (not an insurance company) to conserve and invest against the future liabilities of the pension program. The trustee may be a bank, a trust company, or a group of individuals. Usually it consists of responsible municipal legislators as these men are the people who have the best interests of all concerned and are intimately connected with the success of the program. Furthermore, since they generally serve without fee, these cash savings enhance the advantages of using the services of municipal officials. "Most banks have not been active in the administration of such plans, mostly because the municipalities involved have felt that the programs were better administrated by their own controllers."[5]

The trust indenture governing this arrangement spells out the responsibilities to be borne by the trustees. These responsibilities are so varied that it is difficult to generalize them. It is of utmost importance to point out that employees'

hopes for security depend on the solvency and continued existence of the pension program. It is the duty of the trustees to protect these hopes.

In selecting a self-administered pension trust, the municipality will find it a wise policy to consult with a pension expert--he is best able to properly guide the municipality in its choice of a funding medium. "The decision. . .is a matter for the consideration of experts."[6] The type of funding medium need not be permanent, but when a change is exercised, one may expect some additional costs. These may be financial, or simply the misunderstanding of employees. In either case, it may be best to avoid changes wherever possible. However, the right to change the method by which a pension plan is funded should be retained by the municipality.[7]

Future Changes in the Operation of the Plan:

> It is contemplated, and all original and new members of the plan shall be deemed to have notice, that the City Commission of this city may in the future decide that it is in the best interests of the city and the members of the plan to modify or terminante trust agreements or contracts entered into with an insurance company or companies, to exercise options available to the city under the terms of such trust agreements or contracts, to select another insurance company, trust, or other financial institution, as the depository for pension funds.

The uninsured pension plan uses a trust to which the municipality, and possibly the employees, make contributions. These contributions are invested by the trust administrators according to the manner prescribed in the ordinance.[8]

> The Commission shall have authority to direct that pension plan funds be deposited with banks and/or savings and loan associations or invested in securities,

> to negotiate appropriate contracts with a bank having trust powers, or an insurance company or companies, under the terms of which trust agreements or contracts funds will be deposited with the bank, company or companies as determined by the Commission and annuities may be provided for members and their beneficiaries in accordance with the terms of this plan. The Commission may terminate such trust agreements or contracts or negotiate amendments as it sees fit.

The pension assets are used to make all benefit payments required by the pension plan. The payment of benefits is made directly by the trustee unless the fund assets are used to buy annuities from a life insurance company. In this latter case, the benefits would be paid by the insurance company selling the annuity. The trust agreement defines the duties and powers of the trustee. It provides for the method of investing the funds and describes how payments shall be made to eligible employees or their beneficiaries.

The plan details requirements for eligibility, describes the formula used to determine the amount of benefits and the manner of payment of these benefits, the rights of participating employees, provisions covering the costs of the pension program (whether the plan shall be contributory or noncontributory), details on the administration of the plan, and provisions as to the amendment and discontinuance of the program. The municipality retains an independent actuary to determine the amounts that must be contributed so that the proposed benefits are available when needed. At various intervals (at least every two years) the actuary will test his previous estimates against the actual experience of the plan and adjust his figures.[9]

The uninsured plan permits a great amount of flexibility. The kinds of benefits, time of retirement, manner of funding, and terms of vesting are all initially determined by the municipality. Benefits are not guaranteed, they are anticipated. As the level of benefits for retirees will depend on the amount of liquid assets in the pension fund when the benefits become due, the security of employees is dependent on the previous funding and administration of the pension trust during their period of active employment. But if the actuary's suggestions are followed, a shortage can occur only when his computations fall short of providing the planned benefits. In this unlikely instance, the municipality may either scale down the benefits or make additional contributions.

Insured Pension Program

Once a pension program is arranged with an insurance company, then depending on the contract, the insurance company guarantees a certain level of benefits for employees upon their retirement. This, of course, depends upon predetermined premiums being paid to the insurance company when due. There is a wide range of choices within the insured type of plan which are basically the five following funding media: Individual Policy Pension Plan, Group Deferred Annuity Plan, Group Deposit Administration Annuity Plan, Group Permanent Pension Plan, Combination Pension Plan.

Individual Policy Pension Plan.-All insurable employees are covered by a level annual premium individual endowment or retirement-income policy. The retirement-income policy is

a combination of a retirement annuity contract and a decreasing term insurance feature. Most retirement-income policies provide $1,000 for each $10 unit of monthly income or the cash value, whichever is larger. The insurance element is represented by the excess, if any, of the death benefit over the cash value. This is the type of contract that automatically converts to an annuity at retirement. Employees who are not in good health (uninsurable), are covered by a level premium deferred annuity contract. The individual policy pension plan may be particularly suitable for the very small municipality because there is no requirement as to a minimum number of insured employees, and the funds generated by all contributions may not be large enough to warrant the employment of a skilled actuary.

When the employee's pay is raised, then additional insurance policies are purchased--so as to provide the planned retirement benefits. Annual contributions are the total amount needed to pay the annual premiums on all of the contracts held by the trust. While the individual policy pension plan is not very flexible, it does provide life insurance protection--at least during the early years of the insurable employee's participation. If there are survivor benefits in the pension program, the employee's beneficiary usually receives the proceeds of the insurance policy should he die during active employment.

A slight variation of this method is to cover each insurable employee with an ordinary life policy. Uninsurable

employees would still be covered by a deferred annuity contract. The insurance company guarantees to the trustee that it will convert each ordinary life policy to an annuity contract at a stated additional premium. This additional premium is guaranteed by contract at the time the ordinary life policy is originally purchased. The trustee accumulates the conversion cost by collecting and investing contributions in excess of annual policy premiums, and accumulating these as an auxiliary fund. Should an employee die before retirement, the auxiliary fund that has been accumulated for his retirement is applied against the municipality's future congributions for the remaining employees. Under this method, the trustee owns all of the insurance policies; the power to convert the ordinary life to an annuity contract is thus in the hands of the trustee. New employees who are not eligible for membership in the pension program may be permitted to participate initially by the purchase of low cost term life insurance policies on their lives. When these employees become eligible for full participation in the pension program, the term insurance policy can then be automatically converted (without further medical examination) into the ordinary life policy purchased under this plan.

Any type of vesting provision can be provided. If an employee quits before retirement, usually the trust gives him the insurance policy held on his life. If the plan is contributory, any excess employee contributions (over and above the insurance premium) is also returned to him in one lump sum, and the balance in the conversion account to the employees credit is forfeited and kept by the trust.

Group deferred annuity plan.-Instead of the trustee buying individual insurance contracts, he purchases group annuities. Since the trustee merely acts as an intermediary between the municipality and the insurance company, a trust is not necessary to administer the group deferred annuity plan.

The municipality (or trustee) and an insurance company enter into a blanket agreement. This agreement contains the provisions of the pension plan and becomes a master contract between the two parties. Each participating employee then receives a certificate outlining his rights under the pension plan. The municipality (or trustee) buys deferred annuities that will pay a predetermined retirement benefit to all eligible employees. Every year a paid-up deferred annuity is purchased which will pay an annual income at retirement to each employee that is equal to the pension unit earned during the previous year's service. A retiring employee's pension is the sum of all of the annuity units previously purchased for him under the group contract. The insurance company handles the investment of funds and provides all of the actuarial and legal services necessary for its contractual obligations. When the contract is initiated, premium rates are usually guaranteed for at least five years, but the insurance company generally reserves the right to determine new premium rates for all premium payments for each succeeding year after this period. Should an employee die before retirement, all premiums representing employee contributions are returned

to his beneficiary together with interest. The municipality's contributions which are discounted in advance for mortality are forfeited to the insurance company.

Any type of vesting provision can be provided. If the employee quits before retirement he may keep the annuity units purchased for his credit. If he is not eligible for this benefit, then the insurance company will return most of the premium payments received to the municipality as a credit against future premiums. Employee contributions are then returned to him by his employer, usually at no interest.

One problem of a group annuity plan (or any true group insurance) is the size of the group. Many insurance companies require a minimum of twenty-five lives, although there is a trend toward reducing the minimum. A few large companies will write group insurance for employers with as few as ten eligible employees. When a plan is noncontributory almost all insurance companies require 100 percent participation. Most companies require 75 percent participation if the plan is contributory. According to George D. McDonald, the Deputy Insurance Commissioner of the Florida Insurance Department, State Law requires 60 percent participation in contributory group life insurance, covering a minimum of ten employees. The State has no minimum requirements for group annuity contracts. Once the minimum requirements are satisfied, the individual insurance company uses its own particular underwriting requirements.

Group deposit administration annuity plan.-This type of annuity plan is distinguished from the group deferred annuity plan in the manner of purchase of the deferred annuity. Rather than immediately using contributions to purchase annuities on particular lives (the deferred annuity), under the group deposit administration type of plan contributions are accumulated and deposited with an insurance company for the eligible employees as a group. When an employee retires, a single premium immediate annuity is purchased to provide his pension benefits. The premium necessary for this is allocated from the group fund and turned over to the insurance company. The principal difference, then, is the deferment of the use of contributions until the employee actually retires.

Annuity premiums and interest on the cash held in the group fund are both guaranteed by the insurance company. Usually, the guarantee is for the first five years. After that time, the insurance company may change them for any new deposits to the accumulation account. The insurance company supplies actuarial, administrative, and legal services to the municipality. However, the employer can retain his own pension experts if he desires. Vesting provisions are easy to fulfill since contributions are not used to purchase annuities until the actual retirement of employees.

In this type of arrangement, a trust is not necessary, since all details of the plan can be arranged in a master contract between the municipality and the insurance company.

When a trust is created, it usually holds the deposit administration contract. The trust can hold all of the contributions and upon instructions of the municipality pay premiums to the insurance company for the annuities of retiring employees. The trustee may bear the responsibility of investing all funds not required to purchase annuities, or may relegate this to the insurance company. The larger the group, the greater the benefits that can be derived from this type of funding medium. In 1965, life insurance companies were guaranteeing 5 percent for the larger groups and 4½ percent for others.[10] After the deposit administration contract becomes paid-up, the trustee would still have the responsibility to pay all benefits directly to retired employees, if these benefits are not covered by the contract. The same minimum requirements that apply to other group plans also apply to deposit administration contracts.

One particular advantage of using a trustee is that it gives the municipality a choice of using the trustee or the insurance company in its investments. The city can decide which of the two would be most favorable. Another benefit is that should the municipality or the insurance company decide against their deposit administration contract, the trustee would make it possible to complete an orderly transfer from the insured to the trusteed plan.

Group permanent pension plan.-This type of insured pension plan combines features of group life and annuity plans with the features of individual insurance. No trust is

necessary, as all of the terms of the plan are found in a master contract between the insurance company and the municipality. Every participating employee receives an insurance certificate that summarizes his rights under the plan. All benefit payments are made by the insurance company and, as long as the level annual premiums are paid, these benefits are guaranteed.

One advantage of the group permanent pension plan is that life insurance coverage within the group limits can be purchased for employees without evidence of insurability. Employees can buy additional insurance protection only if they can pass a medical examination given by the insurance company. Additional coverage for uninsurable employees can be purchased through individual retirement annuity contracts.

Combination pension plan.-Each of the previously mentioned types of insured plans have a certain degree of flexibility. Additional flexibility can be obtained by combining these types as a combination may be better suited for a particular municipality than one specific type of insured plan.

The goals of a municipality may best be served by using one funding media for part of its pension program, and another for the rest. Sometimes a group annuity plan is purchased to provide benefits for current service, and individual annuities purchased to provide for prior service credits. Another possibility is the purchase of group annuities to provide minimum benefits for all eligible employees with the use of individual annuities, or a self-administered trust for

increased benefits to higher salaried employees. The best combination for any one Florida municipality is an impossible decision to make unless all pertinent data can be analyzed for the individual municipality. Each type of insured plan may have a place in the employee benefit picture.

Conclusion

It would serve no useful purpose to select the best funding media, as no one funding medium is inherently superior to all others.

> It is axiomatic that what is good for one person is not necessarily good for another person. In pension plan designing many persons are involved and, consequently, many varying interests. Some employees are older and may not have the same interests as the younger employees. Some have long service, some short. There may be a wide variation in pay within the group or there may be a narrow range.[11]

One particular funding medium can be ideal for one set of circumstances and completely unsuitable for another. Each has its particular advantages and disadvantages--these can be decided only with the advice of a consulting actuary after determining the municipality's financial situation and particular circumstances.

NOTES

[1]Pension and Profit Sharing Report (Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1963, March 8), p. 1551.

[2]Article 7, Section 7.11, Chapter II.

[3]Harbrecht, op. cit., p. 79.

[4]Private and Public Pension Plans in the United States (Institute of Life Insurance, New York, 1963), p. 17.

[5]Letter from James P. Timoney, Assistant Trust Officer, Manufacturers Hanover Trust Company, September 17, 1965.

[6]Harbrecht, op. cit., p. 79.

[7]Article 8, Section 8.1, Chapter II.

[8]Article 7, Section 7.11, Chapter II.

[9]Article 7, Section 7.13, Chapter II.

[10]Letter from Wallace R. Shaw, Vice President, State Mutual Life Assurance Company of America, to William J. Clapp, President, Florida Power Corporation, June 11, 1965.

[11]George B. Carlson, "Designing the 'Best' Pension Plan," Textbook for Welfare, Pension Trustees and Administrators (National Foundation of Health, Welfare and Pension Plans, Inc., Elm Grove, Wisconsin, 1964), Vol. VI, 10th Annual Conference, p. 215.

CHAPTER VIII

LEGAL PROVISIONS

Exemption of Funds from Assignment and Tax

From the standpoint of the municipal employee, the purpose of the retirement system is to enable him to retire with dignity and enough income to sustain a reasonable standard of living. Article 5, Section 5.11 prevents creditors from attaching any benefits which have accrued to an employee or a beneficiary in order to satisfy claims against debtor employees.[1]

Benefits Unassignable and not Subject to Process:

> The right of any member or any beneficiary to any benefits under the Plan or any other right accrued or accruing to any persons under the provisions of this Ordinance shall not be subject to execution, garnishment, attachment, the operation of any bankruptcy or insolvency law or any other process of law whatever, and shall not be subject to assignment, pledge or hypothecation unless expressly authorized in this Ordinance.

This section insures employees and beneficiaries that upon retirement, all credits to their account will be intact--enabling them to receive their full retirement benefit.

Protection Against Fraud

Errors may be found in the records of the retirement system. Section 5.12 provides the method of adjusting the

records of the Plan should any change or error be discovered.

Errors, Corrections and Adjustments:

> Should any change or error in the records of the Plan be discovered, or any error in any calculation be made resulting in any member or beneficiary receiving from the Plan more or less than he was entitled to receive, the Council shall have the power to correct such error, and as far as possible to adjust the payments thereafter to be made in such a manner that the actuarially equivalent of the benefit to which such member or beneficiary was correctly entitled, be paid.

In the event that someone attempts to deceive the retirement system by intentionally falsifying or changing any records, then this attempt to defraud the retirement system shall be punished according to Section 9.1.

Violations and Punishment:

> Whosoever with intent to deceive shall make or cause to be made any statement, report, certificate, election, notice, claim or other instrument, authorized or required under this Chapter, whether of the enumerated classes or otherwise, which shall be untrue, or who shall falsely or cause to commit to be falsified any record comprising any part of the operation or administration of the Plan contemplated by this ordinance, shall be as follows: Punished by a fine, not exceeding $300.00, or by imprisonment not exceeding 90 days, or by both such fine and imprisonment. Any such violation shall also be punishable as provided under the laws of the State of Florida.

Interpretation of the Plan

Section 7.5 states that the City Commission has the power to interpret the Ordinance which shall be binding upon all parties' interests.

> The Commission has the power to construe all terms, rules, conditions and limitations of the Plan, and its construction made in good faith shall be final and conclusive upon all parties' interests.

Supervision

Since the municipality has established the pension plan, it should assume all obligations for the supervision of the retirement system. Article 7, Section 7.1 delegates this obligation.

General Supervision:

> The general supervision of the administration of the Plan shall be by the Commission.

Administration

The most popular form of administration for a municipal retirement plan is a Board of Trustees or a Pension Board. The functions of the Pension Board are carried out by the City Commission, which places the responsibility for the plan's operation directly upon the municipality. Additionally, the City finance officer is designated the treasurer of the Plan.

It is not the function of the Board to deal with administrative detail or to hold frequent meetings for the purpose of resolving routine matters that may arise in the administration of the pension fund. To avoid these problems, Article 7 clearly outlines the administrative duties and responsibilities of the Pension Board.

Section 7.2. The members of the City Commission shall serve the pension plan without compensation for their services.

Section 7.3. Any matter pertaining to the pension ordinance may be considered at any City Commission meeting. A majority of Commission members shall constitute a quorum and all Commission resolutions shall have the affirmative vote

of at least three Commission members.

Section 7.4. The Commission may promulgate rules and regulations that are not in conflict with the terms of the Pension Ordinance or the City Charter to cover the operation of any phase of the Plan.

Section 7.6. The Commission has the power to select, employ and compensate any consultants, agents and employees as they may deem necessary for the proper and efficient administration of the Plan.

Sections 7.9, 7.10. Accurate minutes and records of the Commission acting as a Board of Trustees shall not be intermingled with other municipal records and these files shall be available to any interested person at all times. All notices pertaining to the operation of the Plan shall be preserved in writing in segregated files pertaining to the Plan.

Section 7.11. The Commission has the authority to direct that pension plan funds be deposited with a bank and/or a savings and loan association, or invested in securities. Also, the Commission has the authority to negotiate contracts with the trust department of a bank, or an insurance company. These trust agreements are only for investment purposes and may be terminated or amended by the Commission.

Sections 7.12, 7.13. Actuarial valuations should be maintained to insure the sound operation of the retirement system. The periodic actuarial valuations at intervals of not more than two years should be made to establish and verify the financial solvency of the Plan and to note the effect of

current developments in economic and social conditions on the operating results of the Plan. The actuary's report shall be submitted in writing and copies shall be available to members of the Plan upon request. If a trust agreement or a contract has been negotiated, then the trustee or insurance company shall submit an annual statement of the condition of the funds on deposit to the credit of the pension plan.

Some larger municipalities may desire a periodic audit of the financial transactions of the retirement system by an independent accounting firm selected by the Board of Trustees. It is suggested that this independent audit be prepared for public distribution. It should include a balance sheet and income statement accompanied by the accountant's statements embodying information related to operating expenses and investment transactions, and such other tables and schedules which will properly and completely reflect the operating experience of the retirement system. This report should include a statement by the municipality's actuarial consultant, discussing the financial solvency of the plan--containing recommendations for any changes and revisions.

Future Changes

Section 8.1. The City Commission may terminate or modify trust agreements and contracts entered into with an insurance company or a trustee.

Section 10.1. The City Commission shall have the power to amend the Pension Ordinance.

According to John J. Edman, an attorney with the firm Kirkland, Ellis, Hodson, Chaffetz and Masters of Chicago, there is a trend in court decisions throughout the country to deny pension plan changes which adversely affect the pension rights of employees. "I suggest that if an amendment of a public pension plan is made, care should be taken if the amendment will adversely affect even a single employee's pension rights. It is preferable to include the change with a liberalizing amendment if this is possible." He concludes that an amendatory change will probably be upheld by the court if it is justified as actuarially sound, rather than relying solely upon the bare legal right of a municipality in arbitrarily changing or withdrawing pension benefits.[2]

NOTES

[1]Section numbers refer to the Model Pension Plan Ordinance, Chapter II.

[2]Edman, op. cit., pp. 13-14.

Private pension plans usually contain an absolute reserved right of the employer to revise or abolish the plan. Despite unequivocal language, courts are reluctant, and sometimes have refused, to recognize this right. See cases in 42 A.L.R. 2d 461. One may question whether a statutory provision allowing any change in public pensions would be effective.

CHAPTER IX

SUMMARY AND CONCLUSIONS

Summary

The primary purpose of this dissertation is to describe the nature and characteristics of a model pension plan ordinance for Florida municipalities. This paper may be helpful to many municipalities that decide to adopt a retirement program without being fully aware of the main objectives which they wish to achieve and the resulting long-term financial obligations that are the consequence of these pension programs. In order to help interested municipal officials arrive at a reasonable decision made on the basis of adequate information and a clear understanding of the objectives to be achieved, the author has attempted to list and discuss the various considerations involved and the ideas to be followed in arriving at the detailed provisions of a pension ordinance.

Purpose of retirement plans.-As mentioned so often in this dissertation, the primary purpose of a formal retirement program is to remove superannuated employees from the municipal payroll when reduced efficiency impairs their usefulness to the city. It has been shown that even though no formal retirement program exists, the cost of such a program is

present--whether hidden in the payroll, in less efficient operation, or in lower employee morale. One can summarize the objectives of a retirement program as follows:

1. To effect retirement of superannuated and disabled employees in order to increase the efficiency of the municipality and reduce the local government payroll by avoiding payment of full-time salaries to part-time workers.

2. To provide retirement benefits as incentives to attract new employees, induce present employees to remain in the service of the municipality during their productive years, and enhance the municipality's reputation among the electorate.

3. To provide opportunities for promotion among the younger, more vigorous employees by the orderly retirement of older employees as they become ineffective. Systematic retirement keeps the avenues of advancement open, and thus improves employee morale and efficiency by maintaining a young and progressive organization.

4. To fulfill the desire of an appreciative municipal employer to reward faithful employees in the event of old age, disability, or termination of employment after meeting specified conditions of age and length of service.

5. To provide tax advantages to employees by providing part of their compensation in the form of deferred benefits.

Although some municipal officials may not be impressed by the advantages of a retirement plan, a municipality which ignores the long-term benefits of such plans is in effect depriving itself of the least expensive means of handling its personnel problems in the long run, as well as depriving its

employees of the Federal and State tax advantages. Furthermore, by postponing the solution of its retirement problem, the municipality is merely passing the responsibility of today's administration on to future city officials.

Pension ordinance.-The model pension ordinance described in this dissertation contains the basic features of the various contractual arrangements under which the benefits of a pension plan may be provided. The provisions of the pension ordinance define eligibility, state the conditions that an eligible employee must satisfy in order to participate in the pension plan, state the benefits provided by the pension, and establish procedures for administering the plan. We may classify these as follows:

1. Requirements for employee participation--all full-time employees must participate as a condition of employment.

2. Requirements for receipt of normal retirement benefits--completion of ten years of credited service and age 60 for police officers and firemen, or age 65 for all other employees. Police officers or firemen may voluntarily retire at age 55, and other employee members at age 60, if they have completed at least twenty years of service.

3. Statement of retirement benefits--the model pension ordinance provides for an annual retirement income (payable in equal monthly installments) beginning at normal retirement date in an amount equal to 1 percent of the policemen and firemen employee's "average monthly earnings" multiplied by the employee's number of years of "credited service" at retirement. The monthly pension for general employees is $2.00

for every year of "credited service." An illustration of the monthly retirement income provided by the regular benefit formula and the primary Social Security income at age 65 (excluding benefits for dependents) is shown in Table 3, page 22 .

4. Statement of subsidiary benefits--Article 5 of the model ordinance outlines delayed retirement and early retirement benefits to members who meet certain specific conditions as provided in the ordinance.

5. Provisions for meeting the cost--this writer recommends a noncontributory pension plan whose costs are to be met through municipal contributions.

6. Administrative provisions--to protect the municipality and its employees.

The above provisions have been written in considerable detail in the model ordinance. The author has attempted to word these provisions in a simple and straightforward manner in order to reduce any misunderstanding and misinterpretation on the part of either employer or employee. With due regard for the objectives of a pension ordinance, simple and clear provisions enable employees to understand the exact benefits to which they are entitled and under what conditions they are to receive these benefits.

All types of pension plans must have a foundation of basic definitions, statements of benefits, and administrative provisions. While each pension play may be custom-built, it is believed that any subsequent tailoring to fit a specific

situation can more or less use the provisions in the model ordinance as a vehicle in the solution of any municipal pension goals.

Contributions.-Every pension plan must have adequate funds available for the payment of benefits to eligible employees. There is considerable variation in the financing specifications of municipal retirement systems in Florida--while some are noncontributory, the employee often contributes toward the cost of the plan. The author has discussed the advantages and disadvantages of the contributory vs. the noncontributory plan. As it is true in most instances of pension planning, the final decision must depend upon the individual situation, but in making the final decision on this question the following points should be carefully considered:

1. It is generally not feasible to require an employee contribution rate which is large enough to cover a high proportion of the total cost. This may be apparent in the case of the lower paid municipal employee when one considers that a 5 percent contribution means a monthly deduction of $15.00 for an employee earning $300.00 a month.

2. The employee's contribution comes from income already taxed resulting in an unnecessary taxation of a portion of the employee's contribution made to a contributory pension plan. For example, if the employee's salary were reduced by the amount of the contribution expected of him, a noncontributory plan would result in larger employee take-home pay.

3. The return of the employee's contribution is assured on death or termination of service. Because of this, a dollar of employee contribution does not provide as much pension benefit at retirement as a dollar of municipal contribution.

4. Noncontributory plans guarantee full coverage of all employees. Full coverage is important, because even though an employee has excluded himself by refusing to make contributions, he will still constitute a retirement problem to the municipality at some future date.

5. The provisions and benefits of the pension plan are probably more easily amended or adjusted in the future if contributions from employees are not involved.

The above points must, of course, be considered in relation to a municipality's ability to finance the whole structure of an adequate pension program.

Retirement age.-The amount of contributions needed is affected by the retirement age as stated in the pension ordinance. From an economic point of view, employees should be retained in employment so long as they are willing and able to work effectively in some useful capacity. While chronological age does not determine the best time for retirement in individual cases, it is necessary to set a retirement age for the purpose of estimating costs and integrating municipal retirement benefits with Social Security. The author believes that retirement need not be compulsory at such an age, but should be kept entirely within the control of the municipality--thus permitting a flexible administration of the retirement provisions in the pension plan.

A fixed retirement age has been selected because of its ease of administration on the part of the municipality. Department heads are not required to make decisions as to who is to be kept and who is to be retired. This may be beneficial for employees because when they know that they will be retired at a given age, they will plan for it financially and psychologically.

Retirement age affects costs of the plan, the scale of benefits, possible coverage, and the needs and desires of the municipality and its employees. While cost, coverage, and benefits are interrelated functions of each other, retirement age is a critical factor in the pension program. Because no chronological age should be regarded as just right for retirement, the author has approached this problem by giving the municipality the choice of extending an employee's services beyond his normal retirement age, by permitting early retirement at reduced actuarial benefits, and by setting normal retirement ages different for general employees and for firemen and policemen.

Vesting.-Employees may leave municipal service before reaching the age provided for retirement. The author believes that it is desirable to preserve pension credits but because of the cost considerations involved in full early vesting of pension benefits, a minimum period of municipal service should be required as a practical method of preserving pension credits at less expense than full early vesting. According to the model pension ordinance, an employee whose service is terminated

for reasons other than death or retirement prior to the date on which he completes twenty years of credited service will receive no benefits whatsoever when he reaches normal retirement age. Hence, all forfeitures of benefits by terminating employees will remain in the pension trust fund and be used to reduce the normal cost or the actuarial deficiency of the retirement program.

Investments.-A municipality's pension costs will be further reduced by its investment income. The anticipated return on invested funds and the pension benefit formula may have a strong influence on the municipality's choice of funding medium. The legal instruments under which the funding arrangements operate are called funding media, while the budgeting arrangements are usually referred to as funding methods. The author has described the various techniques by which the sums required to provide the pension benefits can be accumulated or budgeted.

While no funding medium is inherently superior to all others, economies associated with size are to be had with large municipal pension programs while small municipal employers may have proportionately higher costs. It would be wise to compare the basic irreducible minimum actuarial, administrative, and legal costs of constructing and operating a self-administered pension trust to the commissions for insured pension plans and the fees charged by bank trustees.

Generally, small municipal groups mean small funds and the problem of emphasizing yield or safety to the detriment

of the other. Large municipal groups and the consequent large funds make diversification possible which eases the problem of promoting both safety and yield. Small noninsured funds may overcome this problem by pooling investment funds either with a bank trustee or an investment company. Such pooling is a practical way for these small funds to receive the services of a competent investment advisor.

The major investments of self-administered, noninsured municipal retirement funds have been U.S. Government securities, state and local government bonds, and non-government securities--the latter comprised mostly of corporate bonds. While there is an investment policy shift away from U.S. Government securities and state and local government debt, mortgages, stocks, and other investments are still small fractions of total assets. This shift may emphasize the need for able investment counselling.

Although there is a tendency of investment managers to pair fixed monetary liabilities with fixed value assets, this author takes issue with the notion that pension liabilities are fixed. Our history of inflation, which forces upward adjustments in pension benefit levels, dictates the increased use of variable-valued assets. In defense against the falling purchasing power of the dollar and the threat of continued price rises, trust managers should turn to common stock as an asset whose monetary value would closely parallel movements in commodity prices over the long run. In addition, because the investment income of pension funds is exempt from federal

income taxation, the net yields from fully taxable corporate bonds are superior to those given by tax-exempt municipals. Pension funds should not be attracted by the normally inferior yields of municipal bonds.

While increased earnings may result from the proper choice of any of the funding media discussed in this dissertation, competent investment advice should give a municipality a higher yield on its assets. This increase may be used to improve employee's pension benefits or to reduce municipal costs. The services of an independent consulting actuary may be helpful in enabling the municipality to make an informal choice.

Conclusions

Before a municipality can select a pension plan as being most suitable for its circumstances, many questions must be considered. In this dissertation a great deal of attention has been devoted to the factors which should be considered when making the selection, not on absolute or final answers.

It should be emphasized that the model ordinance in this dissertation is based on a self-administered, fully trusteed, final pay, noncontributory retirement plan designed to supplement Social Security benefits. Various chapters of this dissertation have attempted to shed some light on these provisions. When deciding on the adoption of a retirement plan, the municipality might be well advised to give due consideration to the needs and desires of its permanent full-time employees if it wants the retirement program to be a success.

If the reader has read and fully understood the contents of this dissertation, it is reasonable to assume that the large municipal employer would want a self-administered, fully trusteed, noncontributory retirement plan (or deposit administration, group annuity, insured noncontributory plan), with benefits based on length of service and average monthly compensation for a reasonable number of years prior to retirement, with a reasonable schedule for the vesting of benefits upon termination of employment, with adequate retirement benefits, and with a short waiting period or no waiting period at all.

But whether a municipality is large or small, a wise employer who wants to remain competitive in future years will plan ahead and gradually adopt a balanced program of employee incentives--including an adequate retirement program constructed in a well planned, conservative financial structure.

APPENDIX - A

Actuarial Data For Chapter 175
Funds at January 1, 1966

Source: Broward Williams, "Report to the 1967 Legislature," The Municipal Fireman's Pension Trust Fund (State Treasurer's Office, Tallahassee), Second Biennial Report 1965-1966.

TABLE 6

ACTUARIAL DATA FOR CHAPTER 175 FUNDS AT JANUARY 1, 1966

Code	119
City	Arcadia
Effective Date of Ordinance	8/5/49
Number of Firemen	
Full-time members	4
Volunteer members	18
Total	22
Annual Compensation for active members	$18,427.00
Number of retired Firemen	-
Pensions being paid to retired members	-
Normal cost retirement income	$ 1,103.00
Current cost of disability benefits	307.00
Current cost of return of contributions at termination or death	59.00
Total normal cost	1,469.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$41,889.00
Gross actuarial deficiency return of past members' contributions at termination or death	18.00
Gross actuarial deficiency for retired members	-
Total gross actuarial deficiency	41,907.00
Assets in pension fund as of January 1, 1966	$16,837.00
Net actuarial deficiency	$25,070.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 2,524.00
Contributions during calendar year 1965	
Member contribution	$ 555.94
State contribution	1,317.96
Total	1,873.90
Annual deficiency to be made up by the municipality or other source	$ 650.10
Cost as percent of total annual salary of plan members	13.7%

TABLE 6 (Cont'd)

130	134	191	203	238
Auburndale	Avon Park	Boynton Beach	Brooksville	Chattahoochee
11/14/57	10/1/53	1/1/40	2/4/41	10/17/39
3	4	11	2	0
17	0	27	18	16
20	4	38	20	16
$ 16,611.00	$ 17,460.00	$ 63,837.00	$ 10,215.00	$ 5,738.00
-	-	-	-	-
-	-	-	-	-
$ 1,703.00	$ 1,903.00	$ 8,440.00	$ 751.00	$ 605.00
52.00	271.00	118.00	3.00	27.00
132.00	116.00	512.00	82.00	44.00
1,887.00	2,290.00	9,070.00	836.00	676.00
$ 30,822.00	$ 39,198.00	$ 44,834.00	$ 8,181.00	$ 11,574.00
15.00	14.00	53.00	14.00	2.00
-	-	-	-	-
30,837.00	39,212.00	44,887.00	8,195.00	11,576.00
$ 12,133.00	9,630.00	30,460.00	11,555.00	7,043.00
$ 18,704.00	$ 29,582.00	$ 14,427.00	-	$ 4,533.00
$ 2,674.00	$ 3,535.00	$ 9,677.00	$ 836.00	$ 867.00
$ 823.26	$ 894.42	$ 2,775.26	$ 512.65	$ 286.90
1,111.26	918.30	2,343.94	1,320.82	444.91
1,934.52	1,812.72	5,119.20	1,833.47	732.81
$ 739.48	$ 1,722.28	$ 4,557.80	No Deficiency	$ 134.19
16.1%	20.2%	15.2%	8.2%	15.1%

TABLE 6 (Cont'd)

Code	257
City	Cocoa
Effective Date of Ordinance	5/13/58
Number of Firemen	
Full-time members	17
Volunteer members	0
Total	17
Annual Compensation for active members	$93,360.00
Number of retired Firemen	1
Pensions being paid to retired members	1,200.00
Normal cost retirement income	$ 9,864.00
Current cost of disability benefits	137.00
Current cost of return of contributions at termination or death	1,503.00
Total normal cost	11,504.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$62,324.00
Gross actuarial deficiency return of past members' contributions at termination or death	427.00
Gross actuarial deficiency for retired members	13,317.00
Total gross actuarial deficiency	76,068.00
Assets in pension fund as of January 1, 1966	$23,769.00
Net actuarial deficiency	$52,299.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$13,706.00
Contributions during calendar year 1965	
Member contribution	$ 4,742.15
State contribution	2,935.43
Total	7,677.58
Annual deficiency to be made up by the municipality or other source	$ 6,028.42
Cost as percent of total annual salary of plan members	14.7%

TABLE 6 (Cont'd)

287	296	301	316	327
Dade City 3/6/47	Deerfield Beach 6/8/59	Delray Beach 10/25/39	Dunedin 10/8/57	Eau Gallie 12/11/57
3	12	23	5	22
15	0	23	0	21
18	12	46	5	43
$ 16,132.00	$ 69,094.00	$121,203.00	$ 21,990.00	$132,968.00
1	-	1	-	-
697.56	-	1,200.00	-	-
$ 1,959.00	$ 7,485.00	$ 12,672.00	$ 2,867.00	$ 13,950.00
178.00	46.00	1,015.00	49.00	55.00
203.00	1,078.00	1,201.00	143.00	2,439.00
2,340.00	8,609.00	14,888.00	3,059.00	16,444.00
$ 18,401.00	$ 57,364.00	$244,049.00	$ 35,262.00	$ 59,603.00
43.00	316.00	338.00	31.00	620.00
11,060.00	-	17,270.00	-	-
29,504.00	57,680.00	261,657.00	35,293.00	60,223.00
$ 31,384.00	$ 16,835.00	$131,174.00	$ 17,091.00	$ 24,831.00
	$ 40,845.00	$130,483.00	$ 18,202.00	$ 35,392.00
$ 2,340.00	$ 10,329.00	$ 20,381.00	$ 3,825.00	$ 17,934.00
$ 958.00	$ 3,446.67	$ 6,204.52	$ 1,072.29	$ 5,646.59
1,787.89	1,942.89	4,556.10	2,088.85	2,001.15
2,745.89	5,389.56	10,760.62	3,161.14	7,647.74
No Deficiency	$ 4,939.44	$ 9,620.38	$ 663.86	$ 10,286.26
14.5%	14.9%	16.8%	17.4%	13.5%

TABLE 6 (Cont'd)

Code	365
City	Florida City
Effective Date of Ordinance	7/8/52
Number of Firemen	
Full-time members	3
Volunteer members	14
Total	17
Annual Compensation for active members	$15,145.00
Number of retired Firemen	-
Pensions being paid to retired members	-
Normal cost retirement income	$ 858.00
Current cost of disability benefits	6.00
Current cost of return of contributions at termination or death	128.00
Total normal cost	992.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$10,070.00
Gross actuarial deficiency return of past members' contributions at termination or death	32.00
Gross actuarial deficiency for retired members	-
Total gross actuarial deficiency	10,102.00
Assets in pension fund as of January 1, 1966	$ 5,631.00
Net actuarial deficiency	$ 4,471.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 1,180.00
Contributions during calendar year 1965	
Member contribution	$ 354.02
State contribution	232.36
Total	586.38
Annual deficiency to be made up by the municipality or other source	$ 593.62
Cost as percent of total annual salary of plan members	7.8%

TABLE 6 (Cont'd)

431	432	438	458	464
Haines City 9/6/39	Hallandale 1/15/54	Havana 2/6/54	Holly Hill 8/26/39	Homestead 3/7/41
4	5	0	0	15
30	0	12	17	0
34	5	12	17	15
$ 18,714.00	$ 26,260.00	$ 1,440.00	$ 3,164.00	$ 77,022.00
-	-	-	-	-
-	-	-	-	-
$ 2,092.00	$ 1,934.00	$ 93.00	$ 409.00	$ 8,016.00
21.00	32.00	2.00	12.00	425.00
203.00	173.00	9.00	25.00	1,225.00
2,316.00	2,139.00	104.00	446.00	9,666.00
$ 33,860.00	$ 10,957.00	$ 1,398.00	$ 4,734.00	$ 99,122.00
58.00	26.00	-	5.00	373.00
-	-	-	-	-
33,918.00	10,983.00	1,398.00	4,739.00	99,495.00
$ 22,560.00	$ 21,911.00	$ 4,897.00	$ 11,942.00	$ 56,359.00
$ 11,358.00	-	-	-	$ 43,136.00
$ 2,794.00	$ 2,139.00	$ 104.00	$ 446.00	$ 11,482.00
$ 973.70	$ 772.25	$ 43.20	$ 164.20	$ 3,846.87
1,889.95	2,601.31	682.57	1,061.45	2,054.94
2,163.65	3,373.56	725.77	1,225.65	5,901.81
$ 630.35	No Deficiency	No Deficiency	No Deficiency	$ 5,580.19
14.9%	8.1%	7.2%	14.1%	14.9%

Table 6 Extended

TABLE 6 (Cont'd)

Code	515
City	Kissimmee
Effective Date of Ordinance	4/1/40
Number of Firemen	
Full-time members	4
Volunteer members	17
Total	21
Annual Compensation for active members	$20,907.00
Number of retired Firemen	1
Pensions being paid to retired members	$ 1,176.00
Normal cost retirement income	$ 2,626.00
Current cost of disability benefits	77.00
Current cost of return of contributions at termination or death	189.00
Total normal cost	2,892.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$23,249.00
Gross actuarial deficiency return of past members' contributions at termination or death	20.00
Gross actuarial deficiency for retired members	11,104.00
Total gross actuarial deficiency	34,373.00
Assets in pension fund as of January 1, 1966	$22,772.00
Net actuarial deficiency	$11,601.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 3,380.00
Contributions during calendar year 1965	
Member contribution	$ 1,104.30
State contribution	1,496.63
Total	2,600.93
Annual deficiency to be made up by the municipality or other source	$ 779.07
Cost as percent of total annual salary of plan members	16.2%

TABLE 6 (Cont'd)

530 Lake City 9/18/39	542 Lake Park 12/2/54	553 Largo 1/27/67	572 Live Oak 8/1/39	594 Madeira Beach 1/1/53
11	1	4	6	3
0	0	13	7	0
11	1	18	13	3
$ 50,245.00	$ 3,472.00	$ 15,585.00	$ 23,082.00	$14,680.00
-	-	-	1	-
-	-	-	$ 1,200.00	-
$ 5,672.00	$ 386.00	$ 1,976.00	$ 1,284.00	$ 2,314.00
9.00	2.00	5.00	34.00	75.00
638.00	39.00	82.00	227.00	47.00
6,319.00	427.00	2,063.00	1,545.00	2,436.00
$ 89,831.00	$ 2,332.00	$ 34,036.00	$ 18,795.00	$27,058.00
113.00	9.00	12.00	34.00	45.00
-	-	-	12,408.00	-
89,944.00	2,341.00	34,048.00	31,237.00	27,103.00
$ 27,265.00	$ 5,305.00	$ 753.00	$ 23,681.00	$13,571.00
$ 62,679.00	-	$ 33,295.00	$ 7,556.00	$13,532.00
$ 8,958.00	$ 427.00	$ 3,465.00	$ 1,863.00	$ 3,006.00
$ 2,249.27	$ 173.68	$ 749.82	$ 693.71	$ 782.07
2,118.68	998.64	3,367.74	1,290.71	691.60
4,367.95	1,172.32	4,117.56	1,984.42	1,973.67
$ 4,590.05	No Deficiency	No Deficiency	No Deficiency	$ 1,532.33
17.8%	12.3%	22.2%	8.1%	20.5%

Table 6 Extended

TABLE 6 (Cont'd)

Code	595
City	Madison
Effective Date of Ordinance	10/6/59
Number of Firemen	
Full-time members	4
Volunteer members	10
Total	14
Annual Compensation for active members	$ 18,900.00
Number of retired Firemen	-
Pensions being paid to retired members	-
Normal cost retirement income	$ 1,283.00
Current cost of disability benefits	9.00
Current cost of return of contributions at termination or death	112.00
Total normal cost	$ 1,404.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$ 20,505.00
Gross actuarial deficiency return of past members' contributions at termination or death	21.00
Gross actuarial deficiency for retired members	-
Total gross actuarial deficiency	20,526.00
Assets in pension fund as of January 1, 1966	$ 5,778.00
Net actuarial deficiency	$ 14,748.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 2,025.00
Contributions during calendar year 1965	
Member contribution	$ 536.59
State contribution	836.39
Total	1,372.98
Annual deficiency to be made up by the municipality or other source	$ 652.02
Cost as percent of total annual salary of plan members	10.7%

TABLE 6 (Cont'd)

596 Maitland 10/6/59	640 Milton 1/13/64	607 Marianna 1/1/40	620 Melbourne 9/24/41	655 Mount Dora 11/1/39
0	9	10	9	4
31	0	0	17	31
31	9	10	26	35
$ 4,389.00	$ 37,380.00	$ 40,260.00	$ 47,557.00	$ 18,115.00
-	-	1	1	-
-	-	$ 1,079.66	$ 900.00	-
$ 525.00	$ 2,518.00	$ 4,566.00	$ 3,881.00	$ 1,284.00
5.00	5.00	145.00	56.00	6.00
63.00	417.00	428.00	240.00	111.00
593.00	2,940.00	5,139.00	4,177.00	1,401.00
$ 2,432.00	$ 5,818.00	$ 69,534.00	$ 27,702.00	$ 12,379.00
11.00	50.00	65.00	35.00	27.00
-	-	9,717.00	8,287.00	-
2,443.00	5,868.00	79,316.00	36,024.00	12,406.00
$ 476.00	$ 15,264.00	$ 46,461.00	$ 38,002.00	$ 18,804.00
$ 1,967.00	-	$ 32,855.00	-	-
$ 676.00	$ 2,940.00	$ 6,522.00	$ 4,177.00	$ 1,401.00
$ 223.45	$ 898.67	$ 1,692.17	$ 1,017.12	$ 483.18
564.97	1,222.48	3,361.53	2,866.98	1,072.09
788.43	2,121.15	5,053.80	3,884.10	1,555.27
No Deficiency	$ 818.85	$ 1,468.30	$ 292.90	No Deficiency
15.4%	7.9%	16.2%	8.8%	7.7%

TABLE 6 (Cont'd)

Code	666
City	Naples
Effective Date of Ordinance	1/25/54
Number of Firemen	
Full-time members	8
Volunteer members	18
Total	26
Annual Compensation for active members	$ 42,485.00
Number of retired Firemen	-
Pensions being paid to retired members	-
Normal cost retirement income	$ 4,954.00
Current cost of disability benefits	256.00
Current cost of return of contributions at termination or death	471.00
Total normal cost	5,681.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$ 50,821.00
Gross actuarial deficiency return of past members' contributions at termination or death	74.00
Gross actuarial deficiency for retired members	-
Total gross actuarial deficiency	50,895.00
Assets in pension fund as of January 1, 1966	$ 32,203.00
Net actuarial deficiency	18,692.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 6,466.00
Contributions during calendar year 1965	
Member contribution	$ 1,658.27
State contribution	4,397.95
Total	6,056.22
Annual deficiency to be made up by the municipality or other source	$ 411.78
Cost as percent of total annual salary of plan members.	15.2%

TABLE 6 (Cont'd)

728 Ormond Beach 8/15/39	741 Pahokee 10/1/39	776 Perry 8/22/39	801 Port Orange 2/14/50	831 Riveira Beach 8/11/54
7	2	5	0	22
0	10	8	20	0
7	12	13	20	22
$ 36,482.00	$ 12,439.00	$ 22,909.00	$ 20.00	$109,881.00
-	-	-	-	-
-	-	-	-	-
$ 3,699.00	$ 1,568.00	$ 2,477.00	-	$ 11,659.00
91.00	355.00	64.00	-	22.00
399.00	68.00	285.00	-	2,062.00
4,189.00	1,991.00	2,826.00	-	13,743.00
$ 55,039.00	$ 33,334.00	$ 26,019.00	$ 59.00	$ 34,490.00
36.00	16.00	29.00	-	433.00
-	-	-	-	-
55,075.00	33,350.00	25,048.00	59.00	34,923.00
$ 26,581.00	$ 18,682.00	$ 21,314.00	$ 3,244.00	$ 30,088.00
28,494.00	14,668.00	4,734.00	-	4,835.00
$ 5,389.00	$ 2,609.00	$ 3,025.00	$ 2.00	$ 13,947.00
$ 1,598.62	$ 625.04	$ 1,094.96	-	$ 5,179.54
2,416.88	1,047.64	1,559.70	238.07	2,575.94
4,015.50	1,672.68	2,654.66	238.07	7,755.48
$ 1,373.50	$ 936.32	$ 370.34	No Deficiency	$ 6,191.52
14.8%	21.0%	13.2%	10.0%	12.7%

Table 6 Extended

TABLE 6 (Cont'd)

Code	846
City	Saint Augustine
Effective Date of Ordinance	2/7/40
Number of Firemen	
Full-time members	22
Volunteer members	0
Total	22
Annual Compensation for active members	$106,322.00
Number of retired Firemen	3
Pensions being paid to retired Firemen	4,092.28
Normal cost retirement income	$ 9,872.00
Current cost of disability benefits	994.00
Current cost of return of contributions at termination or death	894.00
Total normal cost	11,760.00
Actuarial deficiency...	
Gross actuarial deficiency retirement income	$306,981.00
Gross actuarial deficiency return of past members contributions at termination or death	$ 307.00
Gross actuarial deficiency for retired members	52,599.00
Total gross actuarial deficiency	359,887.00
Assets in pension fund as of January 1, 1966	$ 75,209.00
Net actuarial deficiency	$284,678.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 23,745.00
Contributions during calendar year 1965	
Member contribution	$ 5,287.09
State contribution	2,752.80
Total	8,040.69
Annual deficiency to be made up by the municipality or other source	$ 15,704.31
Cost as percent of total annual salary of plan members	22.3%

TABLE 6 (Cont'd)

894 South Miami 10/5/59	900 Starke 8/20/57	920 Tarpon Springs 11/26/39	944 Vero Beach 8/1/39	985 Winter Haven 2/20/40
16	5	3	18	21
0	15	15	0	11
16	20	18	18	32
$ 95,108.00	$ 23,451.10	$ 16,514.00	$ 89,784.00	$103,796.00
1	-	2	-	2
$ 1,200.00	-	$ 1,294.20	-	$ 3,300.00
$ 10,147.00	$ 1,855.00	$ 1,307.00	$ 9,114.00	$ 11,104.00
125.00	43.00	435.00	590.00	377.00
1,027.00	147.00	177.00	1,060.00	959.00
11,299.00	2,045.00	1,919.00	10,764.00	12,440.00
$128,652.00	$ 16,939.00	$ 64,868.00	$125,658.00	$207,735.00
282.00	36.00	15.00	286.00	148.00
12,994.00	-	18,268.00	-	39,650.00
141,928.00	16,975.00	83,151.00	126,944.00	247.533.00
$ 23,430.00	$ 6,852.00	$ 11,023.00	$ 71,783.00	$ 78,354.00
$118,498.00	$ 10,123.00	$ 72,128.00	$ 55,161.00	$169,179.00
$ 16,288.00	$ 2,471.00	$ 4,956.00	$ 13,086.00	$ 19,662.00
$ 4,446.30	$ 677.65	$ 772.68	$ 4,195.76	$ 4,932.40
2,150.06	839.93	1,323.90	4,113.46	4,579.15
6,796.36	1,517.58	2,096.58	8,309.22	9,511.55
$ 15,704.31	$ 9,491.64	$ 953.42	$ 2,859.42	$ 10,050.45
17.1%	10.5%	30.0%	14.6%	18.8%

Table 6 Extended

TABLE 6 (Cont'd)

Code City	986 Winter Park
Effective Date of Ordinance	8/7/39
Number of Firemen	
Full-time members	15
Volunteer members	21
Total	36
Annual Compensation for active members	$ 74,763.00
Number of retired Firemen	2
Pensions being paid to retired members	2,100.00
Normal cost retirement income	$ 7,920.00
Current cost of disability benefits	193.00
Current cost of return of contributions at termination or death	979.00
Total normal cost	9,092.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$ 85,435.00
Gross actuarial deficiency return of past members' contributions at termination or death	126.00
Gross actuarial deficiency for retired members	24,461.00
Total gross actuarial deficiency	110,022.00
Assets in pension fund as of January 1, 1966	$ 63,135.00
Net actuarial deficiency	$ 44,888.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 10,982.00
Contributions during calendar year 1965	
Member contribution	$ 3,840.00
State contribution	4,004.43
Total	7,844.43
Annual deficiency to be made up by the municipality or other source	$ 3,137.57
Cost as percent of total annual salary of plan members	14.7%

TABLE 6 (Cont'd)

TOTAL FULL-TIME FIREMEN...	342
AVERAGE COMPENSATION PER FULL-TIME MEMBER ...$	5,007.42
TOTAL FULL-TIME RETIREES .	16
AVERAGE PENSION PER FULL-TIME RETIREE.....$	1, 190.34
TOTAL ASSETS.....$	1,136,072.00
TOTAL AMOUNT NECESSARY TO FUND.....$	268,143.00
AVERAGE PERCENTAGE COST OF PAYROLL PER CITY....	14.6%

APPENDIX - B

Actuarial Data for Chapter 185
Funds at January 1, 1966

Source: Broward Williams, "Report to the 1967 Legislature," The Municipal Police Officers' Retirement Trust Fund (State Treasurer's Office, Tallahassee), Fourth Biennial Report 1965-1966.

TABLE 7

ACTUARIAL DATA FOR CHAPTER 185 FUNDS AT JANUARY 1, 1966

Code City	118 Apopka
Effective Date of Ordinance	9/7/55
Number of Policemen	
Active members	7
Non-members	0
Total	7
Annual compensation for active members	$ 31,200.00
Number of retired policemen	-
Pensions being paid to retired members	$ -
Normal cost retirement income	$ 3,916.00
Current cost of disability benefits	8.00
Current cost of return of contributions at termination or death	458.00
Total normal cost	4,383.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	11,991.00
Gross actuarial deficiency return of past members' contributions at termination or death	118.00
Gross actuarial deficiency for retired members	-
Total gross actuarial deficiency	12,109.00
Assets in pension fund as of January 1, 1966	$ 16,594.00
Net actuarial deficiency	$ -
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 4,571.00
Contributions during calendar year 1965	
Member contribution	$ 1,504.98
State contribution	3,105.04
Total	4,610.02
Annual deficiency to be made up by the municipality or other source	No Deficiency
Cost as percent of total annual salary of plan members	14.6%

TABLE 7 (Cont'd)

130 Auburndale	148 Bartow	179 Blountstown	190 Boynton Beach	191 Bradenton
11/14/57	6/26/55	12/2/57	10/19/53	9/1/57
2	14	3	10	28
8	4	0	8	0
1 0	18	3	18	28
$ 10,119.00	$ 74,503.00	$ 11,100.00	$ 52,070.00	$134,072.00
-	-	-	-	-
$ -	$ -	$ -	$ -	$ -
$ 1,238.00	$ 6,057.00	$ 1,537.00	$ 6,875.00	$ 17,763.00
67.00	229.00	-	72.00	961.00
55.00	414.00	67.00	537.00	1,129.00
1,360.00	6,700.00	1,594.00	7,484.00	19,853.00
$ 25,336.00	$ 43,574.00	$ 12,943.00	$ 39,941.00	$217,799.00
5.00	112.00	38.00	180.00	695.00
-	-	-	-	-
19,892.00	63,563.00	9,934.00	42,571.00	147,865.00
$ 25,341.00	$ 43,686.00	$ 12,981.00	$ 40,121.00	$218,494.00
$ 5,449.00	$ -	$ 3,047.00	$ -	$ 70,629.00
$ 1,589.00	$ 6,700.00	$ 1,722.00	$ 7,484.00	$ 22,826.00
$ 496.00	$ 2,880.51	$ 405.00	$ 2,903.48	$ 6,775.78
2,891.33	4,281.72	999.31	4,584.53	14,199.17
3,387.53	7,162.23	1,162.31	7,452.01	20,974.95
No Deficiency	No Deficiency	$ 317.69	No Deficiency	$ 1,851.05
15.7%	9.0%	15.5%	14.4%	17.0%

TABLE 7 (Cont'd)

Code City	203 Brooksville
Effective Date of Ordinance	10/19/54
Number of Policemen	
Active members	6
Non-members	0
Total	6
Annual compensation for active members	$ 25,627.00
Number of retired policemen	-
Pensions being paid to retired members	$ -
Normal cost retirement income	$ 3,386.00
Current cost of disability benefits	516.00
Current cost of return of contributions at termination or death	303.00
Total normal cost	4,205.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$ 42,078.00
Gross actuarial deficiency return of past members' contribtuions at termination or death	77.00
Gross actuarial deficiency for retired members	-
Total gross actuarial deficiency	42,155.00
Assets in pension fund as of January 1, 1966	$ 24,305.00
Net actuarial deficiency	$ 17,850.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 4,956.00
Contributions during calendar year 1965	
Member contribution	$ 1,271.70
State contribution	2,219.77
Total	3,491.47
Annual deficiency to be made up by the municipality or other source	$ 1,464.53
Cost as percent of total annual salary of plan members	19.3%

TABLE 7 (cont'd)

255 Clewiston	257 Cocoa	258 Cocoa Beach	287 Dade City	296 Deerfield Beach
10/1/56	5/13/58	9/3/64	7/30/56	6/8/59
5	9	25	5	22
0	1	0	5	0
5	10	25	10	22
$ 22,980.00	$ 52,937.00	$141,260.00	$ 20,827.00	$127,722.00
-	-	-	-	-
$ -	$ -	$ -	$ -	$ -
$ 2,826.00	$ 6,380.00	$ 18,363.00	$ 2,687.00	$ 11,760.00
22.00	60.00	71.00	8.00	69.00
300.00	642.00	2,216.00	280.00	1,318.00
3,148.00	7,082.00	20,650.00	2,975.00	13,147.00
$ 9,871.00	$ 50,140.00	$ 49,845.00	$ 8,721.00	$ 69,694.00
102.00	164.00	350.00	81.00	437.00
-	-	-	-	-
9,973.00	50,304.00	50,195.00	8,802.00	70,131.00
$ 19,299.00	$ 47,832.00	$ -	$ 24,005.00	$ 51,571.00
$ -	$ 2,475.00	$ 50,195.00	$ -	$ 18,560.00
$ 3,148.00	$ 7,186.00	$ 22,763.00	$ 2,975.00	$ 13,928.00
$ 1,110.00	$ 2,922.00	$ -	$ 1,405.24	$ 4,742.02
1,322.21	8,473.89	1,072.54	3,812.21	4,018.45
2,432.21	11,495.89	1,072.54	5,217.45	8,760.47
$ 715.79	No Deficiency	$ 21,690.46	No Deficiency	$ 5,167.53
13.7%	13.0%	16.1%	14.3%	10.9%

TABLE 7 (Cont'd)

Code City	298 DeLand
Effective Date of Ordinance	1/1/56
Number of Policemen	
Active members	17
Non-members	0
Total	17
Annual compensation for active members	$ 75,840.00
Number of retired policemen	-
Pensions being paid to retired members	$ -
Normal cost retirement income	$ 9,431.00
Current cost of disability benefits	105.00
Current cost of return of contributions at termination or death	926.00
Total normal cost	10,462.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$ 61,903.00
Gross actuarial deficiency return of past members' contributions at termination or death	360.00
Gross actuarial deficiency for retired members	-
Total gross actuarial deficiency	62,263.00
Assets in pension fund as of January 1, 1966	$ 85,942.00
Net actuarial deficiency	$ -
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 10,462.00
Contributions during calendar year 1965	
Member contribution	$ 3,753.83
State contribution	6,220.96
Total	9,974.79
Annual deficiency to be made up by the municipality or other source	$ 487.21
Cost as percent of total annual salary of plan members	13.7%

TABLE 7 (Cont'd)

301 Delray Beach	316 Dunedin	349 Eustis	432 Hallandale	459 Hollywood
2/13/56	10/6/53	7/15/54	1/15/54	12/15/53
22	15	8	27	124
0	0	0	0	44
22	15	8	27	164
$109,800.00	$ 76,103.00	$ 36,660.00	$148,070.00	$649,092.00
-	1	-	-	-
$ -	$ 371.70	$ -	$ -	$ -
$ 12,867.00	$ 10,199.00	$ 4,453.00	$ 19,397.00	$ 78,830.00
51.00	60.00	31.00	402.00	1,625.00
1,346.00	713.00	661.00	1,545.00	8,281.00
14,264.00	10,171.00	5,145.00	21,253.00	88,736.00
$159,183.00	$ 96,821.00	$ 18,169.00	$150,949.00	$540,470.00
428.00	282.00	143.00	289.00	2,473.00
-	10,171.00	-	-	-
159,611.00	107,274.00	18,312.00	150.949.00	651,943.00
$ 88,446.00	$ 47,525.00	$ 31,175.00	$ 75,674.00	$532,035.00
$ 71,165.00	$ 59,749.00	$ -	$ 75,564.00	$119,908.00
$ 17,260.00	$ 13,487.00	$ 5,145.00	$ 24,432.00	$ 93,784.00
$ 6,389.61	$ 3,222.35	$ 1,895.00	$ 6,927.54	$ 30,886.10
8,521.90	3,825.48	2,796.04	4,827.18	29,934.05
14,911.51	7,047.83	4,691.04	11,754.72	60,820.15
$ 2,348.49	$ 453.96	$ 12,679.28	$ 12,963.85	$ 32,963.85
15.7%	17.7%	14.1%	16.5%	14.4%

TABLE 7 (Cont'd)

Code City	464 Homestead
Effective Date of Ordinance	12/2/57
Number of Policemen	
Active members	15
Non-members	3
Total	18
Annual compensation for active members	$ 83,591.00
Number of retired policemen	-
Pensions being paid to retired members	$ -
Normal cost retirement income	$ 10,175.00
Current cost of disability benefits	97.00
Current cost of return of contributions at termination or death	925.00
Total normal cost	11,197.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$ 98,147.00
Gross actuarial deficiency return of past members' contributions at termination or death	274.00
Gross actuarial deficiency for retired members	-
Total gross actuarial deficiency	98,421.00
Assets in pension fund as of January 1, 1966	$ 68,618.00
Net actuarial deficiency	$ 29,803.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 12,452.00
Contributions during calendar year 1965	
Member contribution	$ 4,369.38
State contribution	6,940.66
Total	11,310.04
Annual deficiency to be made up by the municipality or other source	$ 1,141.96
Cost as percent of total annual salary of plan members	14.9%

TABLE 7 (Cont'd)

515 Kissimmee	542 Lake Park	553 Largo	560 Leesburg	572 Live Oak
8/13/57	2/7/64	8/10/54	3/22/64	5/8/65
10	8	15	7	5
0	4	0	12	3
10	12	15	19	8
$ 51,636.00	$ 39,220.00	$ 72,213.00	$ 35,328.00	$ 23,100.00
-	-	-	-	-
$ -	$ -	$ -	$ 356.88	$ -
$ 6,919.00	$ 6,166.00	$ 8,998.00	$ 4,332.00	$ 3,097.00
100.00	64.00	59.00	325.00	5.00
571.00	222.00	997.00	427.00	231.00
7,590.00	6,452.00	10,034.00	5,079.00	3,333.00
$ 51,869.00	$ 18,913.00	$ 66,684.00	$ 56,386.00	$ 20,238.00
142.00	10.00	437.00	114.00	15.00
-	=	-	1,071.00	-
52,011.00	18,923.00	67,121.00	57,571.00	20,253.00
$ 38,930.00	$ 8,078.00	$ 49,837.00	$ 63,349.00	$ 577.00
$ 13,081.00	$ 10,045.00	$ 17,284.00	$ -	$ 19,676.00
$ 2,545.90	$ 2,374.74	$ 3,119.29	$ 2,124.91	$ 577.42
3,181.59	2,110.84	12,200.42	6,069.08	2,226.35
5,727.49	4,485.58	15,319.71	8,193.99	2,803.77
$ 2,413.51	$ 2,432,42	No Deficiency	No Deficiency	$ 1,357.23
15.8%	17.6%	14.9%	14.4%	18.0%

TABLE 7 (Cont'd)

Code	595
City	Madison
Effective Date of Ordinance	10/5/59
Number of Policemen	
Active members	6
Non-members	0
Total	6
Annual compensation for active members	$ 26,100.00
Number of retired policemen	-
Pensions being paid to retired members	$ -
Normal cost retirement income	$ 2,087.00
Current cost of disability benefits	61.00
Current cost of return of contributions at termination or death	156.00
Total normal cost	2,104.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$ 18,312.00
Gross actuarial deficiency return of past members' contributions at termination or death	43.00
Gross actuarial deficiency for retired members	-
Total gross actuarial deficiency	18,355.00
Assets in pension fund as of January 1, 1966	$ 11,373.00
Net actuarial deficiency	$ 6,982.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 2,598.00
Contributions during calendar year 1965	
Member contribution	$ 749.83
State contribution	1,548.57
Total	2,298.40
Annual deficiency to be made up by the municipality or other source	$ 299.60
Cost as percent of total annual salary of plan members	10.0%

TABLE 7 (Cont'd)

607 Marianna	640 Milton	655 Mount Dora	666 Naples	671 Neptune Beach
9/16/53	6/18/63	2/15/55	1/25/54	11/27/59
9	7	8	17	4
0	2	0	3	0
9	9	8		
$ 35,928.00	$ 33,240.00	$ 37,070.00	$ 95,736.00	$ 21,600.00
2	-	-	1	-
$ 2,500.32	$ -	$ -	$ 1,200.00	$ -
$ 4,168.00	$ 2,159.00	$ 5,246.00	$ 11,670.00	$ 2,869.00
33.00	19.00	56.00	83.00	3.00
525.00	267.00	335.00	1,365.00	182.00
$ 4,726.00	$ 2,445.00	$ 5,637.00	$ 13,088.00	$ 3,054.00
$ 30,176.00	$ 22,695.00	$ 41,465.00	$ 61,614.00	$ 46,780.00
127.00	29.00	119.00	403.00	38.00
28,772.00	-	-	15,168.00	-
59,075.00	22,724.00	41,584.00	76,568.00	46,818.00
$ 44,921.00	$ 4,402.00	$ 34,273.00	$ 67,222.00	$ 13,610.00
$ 14,154.00	$ 18,322.00	$ 7,311.00	$ 9,364.00	$ 33,208.00
$ 5,322.00	$ 3,216.00	$ 5,945.00	$ 13,482.00	$ 4,452.00
$ 1,787.67	$ 863.62	$ 1,972.86	$ 3,814.84	$ 1,053.17
3,361.53	3,234.19	1,904.05	6,087.60	1,018.73
5,149.20	4,097.81	3,876.91	9,902.44	2,081.90
$ 172.80	No Deficiency	$ 2,068.09	$ 3,579.06	$ 2,370.00
14.8%	9.7%	15.0%	14.1%	20.6%

TABLE 7 (Cont'd)

Code	728
City	Ormond Beach
Effective Date of Ordinance	11/16/54
Number of Policemen	
Active members	14
Non-members	0
Total	14
Annual compensation for active members	$ 74,919.00
Number of retired policemen	-
Pensions being paid to retired members	$ -
Normal cost retirement income	$ 9,108.00
Current cost of disability benefits	113.00
Current cost of return of contributions at termination or death	934.00
Total normal cost	10,155.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$ 75,177.00
Gross actuarial deficiency return of past members' contributions at termination or death	288.00
Gross actuarial deficiency for retired members	-
Total gross actuarial deficiency	75,405.00
Assets in pension fund as of January 1, 1966	$ 50,171.00
Net actuarial deficiency	$ 25,234.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 11,217.00
Contributions during calendar year 1965	
Member contribution	$ 3,356.12
State contribution	5,577.28
Total	9,033.40
Annual deficiency to be made up by the municipality or other source	$ 2,183.60
Cost as percent of total annual salary of plan members	15.0%

TABLE 7 (Cont'd)

752 Palmetto	811 Punta Gorda	831 Riviera Beach	874 Sebring	900 Starke
10/27/53	11/19/57	1/15/54	7/15/58	5/21/57
9	1	35	6	7
0	0	1	7	2
9	1	36	13	9
$ 44,529.00	$ 5,579.00	$197,791.00	$ 27,420.00	$ 24,204.00
-	-	-	-	-
$ -	$ -	$ -	$ -	$ -
$ 5,434.00	$ 1,042.00	$ 24,685.00	$ 3,123.00	$ 2,979.00
26.00	-	527.00	112.00	46.00
595.00	40.00	2,430.00	389.00	436.00
6,056.00	1,082.00	27,642.00	3,624.00	3,461.00
$ 48,421.00	$ -	$182,183.00	$ 42,024.00	$ 11,207.00
353.00	-	709.00	66.00	106.00
39,171.00	-	-	-	-
$ 87,945.00	$ -	$182,892.00	$ 42,090.00	$ 11,313.00
$ 42,905.00	$ 15,272.00	$129,781.00	$ 20,900.00	$ 23,356.00
$ 45,040.00	$ -	$ 53,111.00	$ 21,190.00	$ -
$ 7,952.00	$ 1,082.00	$ 29,887.00	$ 4,514.00	$ 3,461.00
$ 2,195.00	$ 574.00	$ 9,021.42	$ 1,215.65	$ 1,346.39
2,167.89	2,319.20	5,948.64	3,172.98	1,612.93
4,362.89	2,893.86	14,980.06	4,388.63	2,959.32
$ 3,589.11	No Deficiency	$ 14,897.94	$ 127.37	$ 501.68
17.9%	16.4%	15.1%	15.5%	14.3%

TABLE 7 (Cont'd)

Code City	920 Tarpon Springs
Effective Date of Ordinance	10/22/57
Number of Policemen	
Active members	10
Non-members	1
Total	11
Annual compensation for active members	$ 42,333.00
Number of retired policemen	-
Pensions being paid to retired members	$ -
Normal cost retirement income	$ 4,952.00
Current cost of disability benefits	136.00
Current cost of return of contributions at termination or death	630.00
Total normal cost	5,718.00
Actuarial deficiency	
Gross actuarial deficiency retirement income	$ 48,932.00
Gross actuarial deficiency return of past members' contributions at termination or death	193.00
Gross actuarial deficiency for retired members	-
Total gross actuarial deficiency	49,125.00
Assets in pension fund as of January 1, 1966	$ 30,076.00
Net actuarial deficiency	$ 19,049.00
Annual amount necessary to pay the normal cost and amortize the net actuarial deficiency over 40 years	$ 6,520.00
Contributions during calendar year 1965	
Membership contributions	$ 2,244.96
State contribution	2,879.40
Total	5,124.36
Annual deficiency to be made up by the municipality or other source	$ 1,395.64
Cost as percent of total annual salary of plan members	15.4%

TABLE 7 (Cont'd)

925 Temple Terrace 6/15/59	941 Venice 10/22/57	944 Vero Beach 10/19/54	984 Winter Garden 7/14/58	985 Winter Haven 9/30/55
8	10	20	3	30
1	2	0	0	1
9	12	20	3	31
$ 39,729.00	$ 45,604.00	$101,724.00	$ 17,607.00	$150,982.00
-	-	-	-	1
$ --	$ -	$ -	$ -	$ 752.00
$ 2,757.00	$ 3,564.00	$ 11,795.00	$ 2,739.00	$ 18,131.00
19.00	229.00	806.00	392.00	543.00
352.00	201.00	1,176.00	58.00	1,841.00
3,128.00	3,994.00	13,777.00	3,189.00	20,515.00
$ 18,724.00	$ 45,004.00	$189,765.00	$ 35,385.00	$185,956.00
165.00	69.00	548.00	45.00	569.00
-	-	-	-	54,110.00
18,889.00	45,073.00	190,765.00	35,430.00	240,635.00
$ 11,809.00	$ 18,139.00	$129,180.00	$ 23,255.00	$134,528.00
$ 3,426.00	$ 5,128.00	$ 16,351.00	$ 3,701.00	$ 24,982.00
$ 7,080.00	$ 26,934.00	$ 61,133.00	$ 12,164.00	$106,107.00
$ 1,118.03	$ 1,379.79	$ 4,706.47	$ 851.71	$ 7,385.32
1,083.11	4,133.16	8,644.65	2,570.24	10,707.83
2,201.14	5,512.95	13,351.12	3,351.12	17,456.15
$ 1,224.86	NO Deficiency	$ 2,999.88	$ 279.05	$ 7,525.85
8.6%	11.2%	16.1%	21.0%	16.5%

TABLE 8

PROGRESS REPORT TO THE 1967 LEGISLATURE
ON THE MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND

	1959	1966	Increase
No. of Cities Contributing			
: 185	9	47	422.5%
: Local-law	31	50	61.3%
Cities Contributing Amount			
: 185	$ 13,310	$ 137,130	930.3%
Assets			
: 185	236,364	2,320,267	881.6%
Had Actuarial Valuation			
: 185	None	42	-
: Local-law	14	50	257.1%
Police Officers Covered			
: 185	332	785	136.0%
: Local-law	2,628	4,167	58.6%
Actuarially Funded			
: 185	8	47	487.5%
: Local-law	6	49	716.7%

Assets in a Few Cities	1957 - 1959	1966	Increase
: Bartow	8,281	63,563	667.6%
: Coral Gables	256,724	2,782,320	983.7%
: DeLand	11,529	85,942	645.4%
: Fort Lauderdale	644,717	2,629,158	307.8%
: Hollywood	48,801	532,035	990.2%
: Homestead	None	68,118	-
: Jacksonville	1,354,337	2,854,521	110.8%
: Miami	21,687,562	45,391,560	109.3%
: Panama City	67,464	237,967	252.7%
: St. Augustine	28,694	244,933	753.6%
: Tampa	1,494,592	2,184,937	46.1%
: West Palm Beach	303,587	886,474	192.0%

NOTE: It should be pointed out that the above reflected increase in assets is not alone the determining factor as to financial soundness in pension plans. The liabilities have to be considered along with assets to equally reflect financial stability. Time and space here does not permit such a detailed analysis.

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BIOGRAPHICAL SKETCH

Donald R. Monath was born September 14, 1930, in New York City. In January, 1948, he was graduated from William Howard Taft High School. In June, 1951, he received the degree of Bachelor of Arts from New York University. Following his graduation, he entered the life insurance field. In June, 1963, he received the degree of Master of Business Administration from the Graduate School of Business Administration of New York University. In 1963, he enrolled in the Graduate School of the University of Florida. He worked as a graduate assistant in the Department of Finance and Insurance. From 1964, until the present time he has pursued his work toward the degree of Doctor of Philosophy while teaching on the faculty of the University of South Florida.

Donald R. Monath is married to the former Francine Rita Godfrey and is the father of two children--Scott and Nancy. He is a member of the American Finance Association.

This dissertation was prepared under the direction of the chairman of the candidate's supervisory committee and has been approved by all members of that committee. It was submitted to the Dean of the College of Business Administration and to the Graduate Council, and was approved as partial fulfillment of the requirements for the degree of Doctor of Philosophy.

August 1968

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